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Doing Business in Indonesia

Market Overview

Indonesia, a country of 262 million people, is Southeast Asia's largest economy with a GDP of USD 1.1 trillion in 2019. While the economy contracted in 2020, economists predict that the economy will rebound in 2021, driven by a resumption in household spending, an improved investment and business climate, and global economic recovery. It is a thriving democracy with significant regional autonomy. The country is located on one of the world's major trade routes and has extensive natural resource wealth distributed over an area the size of the United States and comprised of over 17,000 islands.

With a decade of average economic growth of just over five percent, the government of President Joko Widodo (known as "Jokowi") focused in his first term on improving infrastructure, diversifying the economy, and reducing barriers to doing business in Indonesia in an effort to propel the economy beyond middle-income status over the next generation. Re-elected to a second term in November 2019, President Jokowi and his cabinet have reaffirmed these commitments and called for a renewed emphasis on infrastructure and human capital development to upskill Indonesian workers and help drive growth in the manufacturing and digital sectors.

The Indonesian economy possesses sound fundamentals of social stability, strong domestic demand for goods and services, steadily increasing foreign reserves (just under $135 billion in July 2020), and stable prices with moderate-to-low inflation. However, persistent trade and investment barriers driven by protectionist sentiment, persistent and pervasive corruption, poor infrastructure, inconsistent interpretation and enforcement of laws, and labor rigidity, continue to inhibit greater levels of economic growth and prosperity.

In mid-February 2020, the Government of Indonesia submitted an omnibus bill on Job Creation to the Indonesian parliament, which would simultaneously revise more than 70 existing laws, to streamline red tape, attract greater levels of investment, and fuel job creation and economic growth. Labor and environmental groups, as well as those opposed to increased centralized government control, have been largely at odds with the business groups that are in favor of the bill's streamlined bureaucratic processes and flexible labor regulations. The bill, if passed in its current form, will affect all aspects of the Indonesian economy, including how U.S. businesses engage. Topics include investment, labor, micro-small-and-medium enterprise policy, research and innovation, land acquisition, economic zones, job creation, sanctions and fines, sovereign wealth fund activity, and more.

Market Challenges

Challenges abound for Small and Medium Size companies wishing to gain access to the Indonesian market, ranked 73rd by the World Bank in its 2020 Ease of Doing Business report (tied with 72nd place Luxembourg with a DB score of 69.6). At times touting plans to reduce bureaucratic red tape to facilitate investment, the Government of Indonesia has also at times put forth measures that achieve the opposite effect. Major challenges revolve around labor relations, intellectual property protection, transparent rules setting and implementation, standards and certification, and pricing.

Perhaps the most contentious portion of the expansive omnibus bill presented to the Indonesian legislature in early 2020 is the chapter dealing with labor issues – severance pay, minimum wage, safety net and social protections. The bill also addresses rules for foreign workers and executives in Indonesia. In lieu of liberalization of the labor market and provisions to limit foreign personnel in Indonesia, U.S. firms will face challenges recruiting, compensating and retaining the most desired employees.

U.S. companies continue to identify Local Content Requirements (LCR) as one of the most significant challenges they face in Indonesia. Local content requirements were originally focused exclusively on the oil and gas sector but have more recently been applied to an increasingly broad range of economic sectors. Foreign operators now can face requirements to source more than 75% of the inputs for projects locally, a challenge in a market with limited advanced manufacturing. Opportunities in the pharmaceutical, medical device, renewable energy and aerospace sectors are held back by overly stringent local content requirements.

Protection of intellectual property is a key concern, with Indonesia remaining on the Priority Watch List in the 2019 Special 301 Report. U.S. exporters and businesses planning to establish a significant presence in Indonesia should be aware of widespread copywrite piracy and trademark counterfeiting, both online and in physical markets.

Indonesia's 2016 Patent Law continues to raise concerns, including with respect to the patentability criteria for incremental innovations, local manufacturing and use requirements, the grounds and procedures for issuing compulsory licenses, and disclosure requirements for inventions related to traditional knowledge and genetic resources. [See the U.S. Trade Representative National Trade Estimate 2020 for more detail.]

U.S. firms should be mindful of additional requirements for testing and certification imposed on a wide range of products. In many cases, the U.S. exporter will need to pay for an Indonesian laboratory or certification body to conduct testing for individual shipments, adding to the overall cost of bringing goods to market.

Exporters targeting public tenders will find an opaque pricing environment, and local content requirements. For example, medical device manufacturers have expressed the need for greater clarity in how pricing and reimbursement are set within the Indonesian National Formulary. Authorities enforce local manufacturing requirements to varying degrees in key industry sectors, including those considered best prospect sectors.

Manufacturers selling goods or services through e-commerce platforms, who are deemed to have a significant presence in Indonesia, will be assessed a ten percent value added tax on all transactions in Indonesia. Determination of a "significant presence" is currently based on gross sales in Indonesian Rupiah (50 million in any given month, or 600 million per year) or number of customer transactions (1,000 in any given month, or 12,000 per year).

Market Opportunities

Consumer-related market opportunities continue to lead growth in the world's fourth- largest country, and expansion in the retail, health, education, telecom and financial services sector have boomed in the last few years. The Indonesian consumer is ranked as one of the most confident in the world, and approximately 50% of Indonesia's 270 million citizens are under the age of 30.

Indonesia's aviation market is growing at 20% per year and favors U.S. products. Aircraft replacement parts and services is a valuable and significant market. There is also demand for air traffic control and airport logistics services and ground support equipment. With high growth, Indonesia aviation market require infrastructure, training, and components in order to keep their business running. Aircraft maintenance, repair and overhaul in Indonesia is estimated to reach USD 2 Billion per year for the next five years.

A competitive and expanding banking market offers significant opportunities for IT and banking equipment, software and technology providers. There are opportunities for telecommunication infrastructure such as satellites and ground stations, handheld devices, and also integration devices or enablers. Telecommunications equipment and services and satellites remain excellent areas for American products and services, which have a comparative advantage technologically.

Indonesia's under-developed public infrastructure remains a major national challenge and presents opportunities in aviation, rail, ports and land transport, as well as in municipal infrastructure projects such as water supply, wastewater systems and waste management facility. From 2020 – 2024, Indonesia plans to develop transportation infrastructure including toll roads (2,724 km), new roads (3,224 km), and bridges (38 km). Projects to build mass transportation system (USD 8 billion) are planned for the six metropolitan areas of Jakarta, Surabaya, Bandung, Semarang, Medan and Makassar with the goal of reducing economic losses due to traffic jams.

Indonesia's Kerjasama Pemerintah Dengan Badan Usaha (KBPU), the government agency that oversees public-private partnership projects, is preparing to develop major infrastructure including communication satelites, roads, airports, hospitals, and potentially cold storage and fish processing facilities. For further information, see http://kpbu.djppr.kemenkeu.go.id/en/. Interested U.S. companies can also reach out to the Indonesia Infrastructure Guarantee Fund (IIGF), which provides Indonesian government guarantees for PPP projects.

Important opportunities outside of Jakarta remain in energy and electricity transmission services. Significant growth in power generation projects, conventional and renewable, and including IPPs, is expected to continue for the next decade. Emerging opportunities include palm oil, biofuel processing, clean energy, energy efficiency and technology to improve local production capacity, and dams, and waste-to-energy projects. For water and energy infrastructure, the government plans to build 18 multipurpose dams (USD 6.2 billion) that would supply 2.4 GW of power and clean water for daily needs.

As the Indonesian military expands its budget, there are opportunities for U.S. defense manufacturers to sell a range of military aircraft, vehicles, communications systems, spare parts, and maintenance services. Monitoring and protection of sea-borne traffic for both national security and fisheries enforcement presents new opportunities.

Education and professional training, medical equipment and high-quality American agricultural commodities all retain their market edge even with premium prices. The U.S. has consistently been a desired destination for Indonesian students seeking to study overseas. Currently there are approximately 9,000 Indonesian studying in the U.S.

Market Entry Strategy

As the largest economy in Southeast Asia and the fourth-most populous country in the world, Indonesia's market offers opportunities in nearly every sector. With rising disposable income levels, Indonesia's growing middle class has a growing interest in products and services imported from abroad.

In order for U.S. companies to successfully enter the Indonesian market, it is often advisable to find and appoint local partners to represent their products. It is recommended that U.S. companies visit and have face to face meetings with prospective partners and conduct due diligence. Appointment of a representative requires care, since it can be difficult to terminate an unsatisfactory relationship.

Developing an understanding of Indonesian culture and local consumer preferences is a key success factor. Patience, persistence and presence are three key factors for success in Indonesia.

Important factors affecting purchasing decisions in Indonesia are pricing, financing, technical skills, and after-sales service. Firms should be prepared to invest in training for their local staff, from entry-level personnel to experienced managers.

Indonesian non-financial firms often depend on trade financing and obtain nearly 50% of their financing from abroad via loans, bonds, and other forms of credit. The Export–Import Bank of the United States, the official export credit agency of the U.S. federal government, often provides working capital and loan guarantees to U.S. companies exporting to Indonesia. The United States International Development Finance Corporation is the U.S. federal government's development finance institution and provides secure financing opportunities to U.S. firms planning to invest in the Indonesian market.

Although it is possible for U.S. companies to sell directly to the government and state-owned companies, local agents or distributors are often critical (and at times, required by law) for successful project development and delivery of products or services. Many government tenders are awarded based on the proven track record and relationship of an agent or distributor with the government agency.

Leading Sectors for U.S. Exports and Investment

Information and Communication Technology

Overview

Unit: USD millions

	2017	2018	2019	2020 (est.)
Total Local Production	2,752	2,627	2,758	2,895
Total Exports	2,621	2,502	2,627	2,758
Total Imports	5,074	5,765	6,341	6,975
Imports from the U.S.	130	162	203	253
Total Market Size	5,205	5,890	6,472	7,112
Exchange Rate	13,548	14,481	13,901	N.A.

Data Sources: Indonesian Central Bureau of Statistics, Global Trade Atlas, and unofficial estimates. Average exchange rate of Indonesian rupiahs to U.S. dollars from Statista.com.

Note: Imports from the U.S. may be larger than indicated by the figures above due to the difficulty in tracking transshipments via third countries and the existence of some unrecorded imports, such as the sales of satellite & launch vehicle services as well as sales of software and IT services.

Looking to the future, Indonesia's information and communication technology (ICT) sector has a bright outlook because the country is starting from a relatively low level of IT solutions adoption and there is plenty of room to grow. Much of Indonesia's potential in fact is still to be unleashed, giving the country the potential to be one of the most promising ICT markets in the coming years. Over the next five years, growth in traditional tech spending is expected to be driven by four platforms in particular: cloud, mobile, social media and big data/analytics.[1]

Indonesia's expanding middle-class has helped boost ICT spending in recent years. The research firm International Data Corporation Indonesia previously estimated that the country's ICT spending would increase 16% to U.S. $29.5 billion in 2020.[2] The short-term forecast for Indonesia's ICT spending in 2020 has since decreased due to an unexpected global economic slowdown but is expected to rebound in 2021 in line with a broader economy recovery.

The growth in computer service imports, including software and services, will be fueled by investments in technology solutions in both the private and public sectors, including investments to support government infrastructure, mobile financial services, and e-commerce. According to a Fitch Solutions forecast, software sales are predicted to grow from Rp 24.24 trillion ($1.66 billion) in 2019 to Rp. 47.16 trillion ($3.23 billion) in 2023. Similarly, IT services sales are expected to grow from Rp. 108.90 trillion ($7.53 billion) in 2019 to Rp.

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[1] IDC Global ICT Spending Forecast 2020-2023

[2] Digital News Asia, Indonesia's ICT spending to hit U.S. $29.5 billion in 2020. https://www.digitalnewsasia.com/digital-economy/indonesia%E2%80%99s-ict-spending-hit-us295bil-2020-idc

176.27 trillion ($12.07 billion) in 2023. And computer hardware sales that stood at Rp. 52.61 trillion ($3.60 billion) in 2019 are anticipated to reach Rp. 61.41 trillion ($4.21 billion) in 2023.

With approximately 338.75 million subscribers as of 2019, Indonesia is ranked as the fourth largest cellular market in the world. In the third quarter of 2019, the number of fixed broadband internet subscribers in Indonesia was reported to be 9.66 million, and the number of mobile broadband subscribers was reported to be 248.2 million, according to the World Bank "Indonesia's Connectivity Challenge" report. The number of subscribers for 4G and 3G wireless services were 178.28 million and 127.50 million, respectively. 2G mobile services remain widespread across the country with 35.33 million subscribers.

The Indonesian cellular phone market is facing sharp competition, slowing profit margins and a saturated voice and SMS service market, but the country's telecommunications industry retains lucrative prospects for growth in data and value-added services. Prepaid wireless subscriptions account for 97.5% of subscribers, making it relatively easy for customers to switch from one provider to another. The three largest wireless operators control nearly 80 percent of the country's cellular phone market, with Telkomsel having 171.10 million subscribers, Indosat Ooredoo having 59.30 million, and XL Axiata having 56.70 million. The remaining wireless operators are Hutchison 3 Indonesia, Smartfren, and Sampoerna Telekomunikasi Indonesia.

The internet penetration rate was 68%, or 184.94 million internet users, in 2019, with many users having fixed and multiple mobile subscriptions. Development of the fixed broadband infrastructure has been hampered by the country's complex geography consisting of islands and remote, rural regions. As a result, many cellular operators are offering wireless broadband services to provide affordable access to the Internet. ICT infrastructure to connect the rural regions and the smaller islands to major cities has been deployed using various technologies, including satellites, microwave radios, and undersea fiber-optic cable.

Broadband internet connectivity is needed to increase internet penetration and usage in economic activity and in the integration of the supply chains of domestic and international traders. As the connectivity to the rural regions improves, new opportunities to provide IT devices and services to the population will emerge. Cellular telecommunications operator investment in base stations and backhaul infrastructure has been growing at an accelerated pace in recent years, a trend that is reflected in the number of wireless subscribers and the sale volume of smartphones and tablets.

Leading Sub-Sectors

- Satellites and ground equipment
- Submarine and land fiber optic cable network
- Microwave communication equipment
- LTE network
- Cloud technology
- Broadband solutions
- eGovernment, eHealth, eProcurement, including for Open Source Software
- Police and security communications
- Maritime and fishery monitoring system
- Value-added services

Opportunities

Infrastructure:

- Satellites and ground stations
- Fiber optic cables and accessories (land and submarine)
- Radio links (microwave radio point-to-point access)
- Exchanges and data centers

Last Mile:

- 3G, 4G LTE and LTE+, 5G base stations, base stations controllers
- Radio link backhauls (Point to Point) and broadband access (Point to Multi-Point)
- Indoor and outdoor access points and clients/unlicensed and licensed

Devices:

- PCs, tablets, smartphones, disposable phones
- Satellite phones
- Navigations and geolocation devices
- IT networks devices (routers, gateways, load balancers, storage, cloud services)
- Cryptographic devices

Integration devices or Enablers:

- IoT
- Telecom modules/GSM/3G/4G LTE/5G
- Monitoring systems/SCADA/NMS

Web Resources

- Indonesian State Ministry of Communication and Information: www.kominfo.go.id
- Indonesia Infocom Society: www.master.id
- Informatics and Computer Science University Association: www.aptikom.or.id
- Association of Indonesian Computer Software Industries: www.aspiluki.or.id

For questions or more information, please contact Commercial Specialist Kalung Riang at Kalung.Riang@trade.gov

Aerospace and Defense

Overview

Unit: USD millions

	2017	2018	2019	2020 (est.)
Total Local Production	484	480	528	581
Total Exports	102	137	144	151
Total Imports	924	908	863	819
Imports from the US	328	438	460	483
Total Market Size	1,306	1,251	1,247	1,249
Exchange Rate	13,548	14,481	13,901	N.A.

Data Sources: Central Bureau of Statistics Indonesia, Trade Stats Express USA. Average exchange rate of Indonesian rupiahs to U.S. dollars from Statista.com.

The Indonesian aviation sector offers significant opportunities as the country is the largest market in Southeast Asia with a population that makes up 40% of the 650 million people in Southeast Asia. The country is ranked as having the second-fastest growing aviation industry in the world after China in terms of aircraft orders and business value. Being an archipelago comprised of more than 17,000 islands, Indonesia naturally needs air travel for the mobility of its people and goods. The challenges are how the country's infrastructure can follow the rapid development of aviation and how the government will manage its human resources to meet market demands.

The October 2019 crash of a Lion Air flight has had an impact on aircraft sales in Indonesia, but the market has recently shown signs of recovery.

At present Indonesia has 239 airports managed by local and central government, 13 airports managed by State Owned Enterprise PT. Angkasa Pura I, and 16 airports managed by PT. Angkasa Pura II (AP2). In 2019 Indonesia had 412 domestic routes connecting 135 cities with 12 national airlines in addition to 65 foreign airlines that are active in the market. There are 214 passenger pioneer routes that connect 191 cities and 39 pioneer cargo routes. Jakarta's primary commercial airport, Soekarno-Hatta International Airport, is the busiest airport in both Southeast Asia and throughout the Southern Hemisphere.

According to the Ministry of Transportation, the number of air transport passengers will increase from approximately 162 million passengers in 2019 to a target of around 202 million passengers in 2024 (assuming a growth rate of 4.59 percent). The Ministry also projects growth in cargo transportation from approximately 778 thousand tons in 2019 to a target of around 1 million tons in 2024 (assuming growth is in the rage of 4.8 to 5.2 percent per year). Based on the Ministry's growth projections international cargo transportation is expected to increase from approximately 178 thousand tons in 2019 to a target of 223 thousand tons in 2024 (assuming growth is in the range of 4.5 to 4.6 percent per year).

Leading Sub-Sectors

PT. Angkasa Pura I (AP1), which operates airports in Eastern Indonesia, projects passenger traffic above 130 million passengers in 2023 with revenue up to 24 trillion Rupiah. In 2020, AP1 intends to complete the development of a new International Airport in Yogyakarta (Central Java) called Kulonprogo, as well as domestic airports in Semarang (North Java) and Banjarmasin (South Kalimantan). AP1 also plans proactive marketing to increase more direct flights to Denpasar (Bali), Surabaya, and other cities. According to PT. Air Navigation Indonesia, Indonesia has several very high-density routes, such as domestic routes from Jakarta to Surabaya and Bali (ranked sixth in the world), and an international route from Jakarta to Singapore (number 2 in the world). In order to achieve AP1's long-term investment plan, they will require funding of up to 76 trillion Rupiah over a five-year period. This investment will be mostly allocated to land acquisition and building construction, equipment, and airfield expansion.

PT. Angkasa Pura II (AP2), which operates many airports in western Indonesia, has received international awards for their achievements. For instance, Soekarno Hatta Airport received an award from Skytrax as the world's most improved airport in 2019, and also won the second-best airport in South East Asia. With the number of passengers up to 70 million in 2018, an 11% increase from the previous year, Soekarno Hatta is ranked the sixth busiest airport in the world. AP2's second busiest airport, Kualanamu in Medan, had 11.8 million passengers in 2018, up 17% from the previous year. In the long run, AP2 plans to make a smart connected airport, a combination of technology and information with customer centric operation and stakeholder governance. They envision the smart airport as able to provide comfort to passengers, with increased capacity and reduced costs. AP2 is now making a Digitally Ready for Operational and Infrastructure Development model to integrate the systems for customer experimentation, operating efficiency and business enhancement. The main programs launched by AP2 in 2019 were flight operation safety and security, airport safety and security, passenger and cargo services, business development and supporting programs, which require a combined investment of 13 trillion Rupiah.

Opportunities

Indonesia's under-developed public infrastructure could present significant opportunities in aviation. With Indonesian airports already heavily burdened and the increasing growth in air traffic, investments and developments in new airports closest to tourist destinations, refurbishment of existing airports, and construction and improvements to ground infrastructure, runway, and air traffic systems are promising areas for future growth.

Based on their 2019 investment plan data, PT. Air Navigation Indonesia already has 535 navigation tools, 122 surveillance devices, and 24 ATC automation systems. By 2021, they will need an additional 12 navigation tools, 1 surveillance device and 4 ATC automations. Some improvement programs are also budgeted such as projects to restructure the airspace, airline slot time management, departure and arrival flow management, surface radar operation, ATC training, rapid exit taxiway and pilot reaction time.

On April 20, 2015, with the support of the U.S. Department of Commerce and the U.S. Federal Aviation Administration, Minister of Transportation Ignatius Jonan and U.S. Ambassador Robert O. Blake signed an MOU to officially commence establishment of the U.S. – Indonesia Aviation Working Group. The AWG provides a platform for the U.S. government and companies to engage with Indonesian aviation stakeholders from government agencies, state-owned enterprises, and the private sector in order to share best practices from around the world, and to propose and provide innovative solutions and services to support the growth of the Indonesian aviation sector. There are currently no direct flights between Indonesia and the U.S. despite interest from business leaders and tourism agencies.

The AWG's activities focus on policy and technical issues facing the Indonesian aviation sector that include:

1) Air Traffic Management Modernization

2) Airport Infrastructure

3) Aviation Safety and Security

4) Development and Growth of Aviation Support Services

5) Airspace and Airport Capacity Analysis, Development, and Planning

6) General Aviation Access and Integration

7) Cargo Security

Web Resources

(A) Government and Statutory Agencies:

Directorate General of Civil Aviation: http://dephub.go.id/

AirNav Indonesia: www.airnavindonesia.co.id

Angkasa Pura I: www.angkasapura1.co.id

Angkasa Pura II: www.angkasapura2.co.id

Indonesia Central Bureau of Statistic: www.bps.go.id

(B) Airlines:

PT. Garuda Indonesia: www.garuda-indonesia.com

PT. Lion Airlines: www.lionair.co.id

PT. Citilink Airlines: www.citilink.co.id

PT. Sriwijaya Air: www.sriwijayaair.co.id

(C) Trade Associations:

Indonesia National Air Carrier Association (INACA): http://inaca.or.id/

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Energy

Unit: USD millions

	2017	2018	2019	2020 (Estimated)
Total Local Production	850	901	946	984
Total Exports	559	592	757	787
Total Imports	4,106	4,352	4,569	4,751
Imports from the U.S.	593	628	681	708
Total Market Size	4,397	4,661	4,758	4,948
Exchange Rate	13,548	14,481	13,901	N.A.

Data Sources: Global Trade Stats, Central Bureau of Statistics Indonesia, Average exchange rate of Indonesian rupiahs to U.S. dollars from Statista.com.

Overview

In recent years, Indonesia has made a shift toward greater utilization of clean energy. Although coal is still the biggest energy source for electric power plants at 56% of the total, the government has been putting greater emphasis on clean coal technology to reduce emissions from fossil-fuel power plants. The power industry in Indonesia experienced 4.65% annual growth in 2019 while the electrification rate in Indonesia reached 98.89% as of December 2019, according to the Ministry of Energy and Mineral Resources (MEMR). The Papua and East Nusa Tenggara regions had the lowest electrification ratios, with 94% and 72% respectively, according to MEMR data.

At the end of 2019, total installed electric generation capacity was 69.6 Giga Watts. Of this, 42.5 GW (60.9%) was generated by state-owned electricity company PT Perusahaan Listrik Negara (PLN), 18.12 GW (26%) by independent power producers, 5.46 GW (7.8%) by operating permit holders, 3.58 GW (5.1%) by private power utilities and the remaining 0.05 GW (0.01%) by the government. The national transmission system has approximately 58,959 km of lines and 77,514 Mega Volt Amperes of transmission transformer capacity. The distribution system includes approximately 946,101 km of transmission lines and 41,987 MVA of transformer capacity.

Indonesia imported $4.7 billion of electrical power equipment in 2019, of which U.S.-origin products constituted approximately 15%. Other major suppliers include China, Singapore, Japan, Korea, Malaysia, France and Germany. Indonesian companies typically import U.S. products directly or through an agent/distributor in Singapore.

The smart power grid industry has increased in importance as Indonesia works to increase the electrification ratio with a particular focus on rural and remote areas in Eastern Indonesia. The initiative is in line with the government’s target to incease the renewable energy contribution to 23% of the energy mix by 2025 and in line with Indonesia’s smart city program covering 100 cities. Government regulations provide the regulatory framework for increasing private sector participation in transmission and distribution through microgrid licensing. U.S. firms would benefit from initiatives to replace costly diesel generation and leverage emerging microgrid deployment.

Challenges include the fact that the current Indonesian government administration has a general policy of strong national control over power generation and distribution, a lack of policy transparency, and local content requirements.

Leading Sub-Sectors

U.S. companies are strong competitors in markets for turbines and turbine parts, transmission and distribution equipment, smart grid technology, microgrid equipment, energy saving and efficiency technologies, and emission reduction technology.

Opportunities

In the second half of 2020, Indonesia is expected to hold a tender for the selection of emission technology for new coal-fired power plants of the state-owned power company, PT Perusahaan Listrik Negara (PLN). U.S. companies with coal emission technologies have been invited by Indonesia government to participate in the tender. The Basel and Stockholm Convention Regional Center (BCRC) is working with The Indonesia's Ministry of Energy and Mineral Resources as the grant implementer for this coal emission tender.

The new National Electric Generation Plan for 2020-2029 (RUPTL) forecasts that electricity demand in Indonesia will grow 6.42% annually. According to RUPTL estimates, by 2027 electricity demand from 78.4 million customers will reach 443 terawatt hours (TWh) and the electrification ratio will reach 99.4%

Achieving the target, first announced by President Jokowi in 2014, of adding 35 GW in power generation capacity would require a total investment of an estimated U.S. $72.9 billion and the installation of 291 power plants, 732 transmission lines (75,000 set tower), and 1375 unit substations. Even if the 35 GW plan is not fully achieved, the construction of power plants, transmission and distribution lines in Indonesia should bring commercial opportunities for U.S. companies. Areas of opportunity include the supply of equipment including turbines, coal emission technology, substations, transmission, transformers, smart metering and distribution equipment. In addition, electrification projects will create increased opportunities for renewables and gas, including clean and lower emissions coal technologies.

Indonesian Ministry of Energy and Mineral Resources (MEMR) has initiated a new policy regime under which renewable energy projects have to compete on a strictly economic basis. New regulation establishes a benchmark cost for power generation within each region. So long as a project proposal is below 85% of the regional cost then PLN is authorized to accept the project through direct negotiation between the project developer and the off-taker. Also, Ministerial Regulation ESDM No. 38/2016 provides a regulatory framework to incentivize private companies to develop independent microgrid utilities in remote and underserved locations. Under 38/2016, a developer can theoretically combine a group of villages and communities into a bundled packet and apply for the issuance of a license to own and operate an independent utility concession. Indonesian political dynamics mean that the actual issuance of such a license is likely to be quite challenging.

The national energy plan sets an ambitious renewable energy target of a 23% contribution to Indonesia's energy mix by 2025, up from the current 13%. This creates opportunities in sub sectors such as solar, biofuel, waste to energy, and electric vehicles. There has been growing demand for rooftop solar photovoltaic technology from homeowners, government buildings, public facilities and commercial facilities. In meantime, Indonesian government has launched waste to energy projects in 12 cities across Indonesia, including some that are moving forward with tenders expected in the future.

For biofuel, the goverment of Indonesia plans to develop green refinery facilities as as way to leverage its vast palm oil resources as bio fuel for industrial fuel needs. Since late 2018, biodiesel sold in Indonesia has had a 20% biofuel mix but in 2019 became the first country in the world to implement a 30% biofuel ratio. Indonesia is also aiming to move toward electric vehicles, with a target of 20% sales by 2025. Presidential Regulation No. 55 of 2019 seeks to accelerate the growth of the electric vehicle industry.

The U.S. Embassy in Jakarta established the U.S. Power Working Group as a platform to support and showcase U.S. firms interested in electrification and other commercial opportunities. The working group provides a forum for U.S. firms to engage with the Indonesian government to promote their products and services. Working group participants include power industry partners and associations who share best practices and formulate strategies to leverage the expansion of Indonesia's energy infrastructure.

Resources

(A) Government and Statutory Agencies:

Ministry of Energy and Mineral Resources (MEMR or ESDM)
www.esdm.go.id
Directorate General of Electricity, Ministry of Energy and Mineral Resources:
http://www.djlpe.esdm.go.id/
Directorate General of New & Renewable and Conversation Energy, Ministry of Energy and Mineral Resources: http://www.ebtke.esdm.go.id/

(B) Power Producers:

State-owned company - PT Perusahaan Listrik Negara (PT PLN): http://www.pln.co.id/
IPP - Association of Independent Power Producer in Indonesia (APLSI): http://www.aplsi.id

(C) Trade Associations:

Indonesian Chamber of Commerce & Industry (KADIN): www.kadin-indonesia.or.id
American Chamber of Commerce in Indonesia: www.amcham.or.id

(D) Major Trade Shows:

Asia EDGE Trade Mission to Southeast Asia on March 17-26, 2021 with stops in Thailand, Indonesia and Vietnam: www.2016.export.gov/newyork/westchester/asiaedgetrademission/
ENLIT Asia (previously known as PowerGen Asia & Asia Utility Week) on March 23-25, 2021 in Jakarta, Indonesia: www.enlit-asia.com
Distributech International Tradeshow co-located with PowerGen International Show on March 30 – April 1, 2021 in Orlando, Florida: www.distributech.com

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Financial Services (Financial Technology)

Overview

Indonesia presents significant opportunities in the financial technology sector based on its standing as the largest economy in Southeast Asia and the fourth-most populous nation in the world. Electronic money is accepted as a form of payment by over 500,000 merchants across Indonesia. In 2019, there were 5.2 billion e-money transactions worth a total of USD 9.8 billion (IDR 145.1 trillion), according to Bank Indonesia. With over 10 million fixed-line broadband internet subscribers and 248.2 million 3G and 4G mobile phone subscribers, access to financial technology is widespread. Financial institutions in Indonesia increasingly emphasize the importance of technology to reach financial inclusion goals among the world's third-largest unbanked population, and often look abroad for potential vendors and partners with experience.

Based on research from FinTech Fast 101 DC released by IDC Financial Insights in 2020, the 10 fastest-growing financial technology players in Indonesia were:

- Akulaku (e-commerce and digital financial technology)
- Amartha (micro loans in rural areas)
- Bareksa (digital mutual funds)
- CekAja (credit, investment, insurance, and lending services)
- DANA (e-wallet platform)
- GO-JEK / GO-PAY (ride share hailing and e-wallet)
- Investree (P2P lending)
- LinkAja (e-wallet)
- OVO (e-wallet)
- UangTeman (P2P lending)

The fintech industry in Indonesia is regulated by two government entities, Bank Indonesia and the Financial Services Authority (Otoritas Jasa Keuangan, or OJK). Bank Indonesia oversees monetary policy and the payment ecosystem, while OJK oversees peer-to-peer lending, crowdfunding, digital banking, financial data security, insurance technology, and financial consumer protection. Both agencies have financial technology divisions and engage regularly with industry players and maintain long-term strategies that encourage development of the financial technology sector (Bank Indonesia's National Payment System 2025 Blueprint and OJK's Masterplan for Financial Services 2020-2024).

Leading Sub-Sectors

E-money digital wallets and peer-to-peer (P2P) lending are the two fastest growing financial technology sub-sectors in Indonesia.

E-money digital wallets: The value of e-money transactions increased from USD 196 million (IDR 2.9 trillion) in 2013 to USD 9.8 billion (IDR 145.1 trillion) in 2019 and the volume increased from 137.9 million transactions in 2013 to 5.2 billion in 2019, according to Bank Indonesia data. This upward trend accelerated in the first half of 2020. As of late May 2020, there were 51 e-money issuers licensed by Bank Indonesia. Currently, the top 5 players in the e-wallet market in Indonesia are: OVO, GoPay, DANA, LinkAja (state-owned), and ShopeePay. In January 2020, WeChat Pay received approval from Bank Indonesia to operate its e-wallet platform in Indonesia by partnering with local bank CIMB Niaga, which will oversee transaction processing.

E-Money Transactions in Indonesia from 2013-2019

Period	2013	2014	2015	2016	2017	2018	2019
Volume	137,900,779	203,369,990	535,579,528	683,133,352	943,319,933	2,922,698,905	5,226,699,919
Value	2,907,432	3,319,556	5,283,018	7,063,689	12,375,469	47,198,616	145,165,468

Source: Bank Indonesia (Volume in number of transactions & value in millions of IDR)

Fintech P2P Lending: As of late May 2020, there were 161 peer-to-peer (P2P) lending companies, including 33 licensed companies and 128 registered companies, according to statistics compiled by OJK. Of the total, 149 were conventional lenders and 12 were sharia lenders. Total assets were USD 237 million (IDR 3.5 trillion) as of May 2020, up from USD 203 million (IDR 3.0 trillion) as of December 2019. Of the total, USD 95 million (IDR 1.4 trillion) was from registered conventional fintech lenders, USD 142 million (IDR 2.1 trillion) from licensed conventional fintech lenders, USD 1.4 million (IDR 21.4 billion) was from registered sharia fintech lenders, and USSD 1.3 million (IDR 19.7 billion) was from licensed sharia fintech lenders.

Opportunities

As the largest economy in ASEAN, Indonesia offers a very attractive market for fintech investors, a statement that has only become truer as COVID-19 increases demand for touchless payment services and reinforces Indonesia's financial inclusion targets. Major foreign e-wallet market players are showing a high level of interest regarding Indonesia's digital payment market. According to media reports in early 2020, Facebook was exploring possible partnerships with leading Indonesian e-wallet operators. The importance of e-Know Your Customer systems offers a good market opportunity for U.S. companies with relevant experience.

Resources

(A) Government Agencies:

Bank Indonesia: www.bi.go.id
Financial Services Authority (OJK): www.ojk.go.id

(B) Trade Associations:

AFTECH (FinTech Indonesia): https://fintech.id/id
AFPI (Indonesian FinTech Lending Association): https://afpi.or.id/
AFSI (FinTech Syariah Indonesia): https://fintechsyariah.id/

Bank of Indonesia statistics on licensed e-money issuers, transactions, and infrastructure

- https://www.bi.go.id/en/sistem-pembayaran/informasi-perizinan/uang-elektronik/penyelenggara-berizin/Contents/Default.aspx
- https://www.bi.go.id/en/statistik/sistem-pembayaran/uang-elektronik/Contents/Penyelenggara%20Uang%20Elektronik.aspx
- https://www.bi.go.id/en/statistik/sistem-pembayaran/uang-elektronik/contents/transaksi.aspx

Financial Services Authority Statistics on Fintech P2P lending and lenders in Indonesia

- https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/fintech/default.aspx
- https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/direktori/fintech/Pages/Direktori-Fintech-(Peer-To-Peer-Lending)-per-Maret-2020.aspx

Key Fintech Regulations in Indonesia		
1.	Regulation POJK No. 77/POJK.01/2016 on Information Technology-based Lending	Regulation to support the growth of fintech P2P lending platforms, as new financing alternatives for communities that have yet to enjoy optimal services from incumbent financial service institutions.
2.	Regulation POJK No.13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector	Regulation covering all types of fintech based on a principles-based approach aimed at promoting responsibility and digital finance innovation. Covers the adoption of security systems and good governance and promotes compliance with rules related to customer protection, anti-money laundering and combating the finance of terrorism.
3.	Regulation POJK No.12/POJK.03/2018 on the Implementation of Digital Services by Commercial Banks	Regulation on the use of information technology for digital banking.
4.	Regulation POJK No.37/POJK.04/2018 on equity crowd funding	Regulate to support equity crowdfunding.
5.	Regulation POJK No. 13/2018 on digital financial innovation	Regulation of transaction settlements, capital accumulation, investment management, fund collection and distribution, insurance, market support, other digital financial support, and other financial service activities
6.	Bank Indonesia Regulation No. 19/10/PBI/2017 on fintech companies	Regulation to support the fintech ecosystem and, in particular, companies in payments businesses. Fintech providers are obliged to register at BI and will be tested in the regulatory sandbox for around a year before they may apply for license.
7.	Bank Indonesia Regulation No. 19/12/PBI/2017	Regulation concerning the provision of financial technology.
8.	Bank Indonesia Regulation No. 19/14/PADG/2017	Regulation to establish a regulatory sandbox for financial technology.
9.	Bank Indonesia Regulation No. 20/6/PBI/2018 on E-money	Regulation on the development of e-money business models and enhance the institutional capacity of e-money issuers, including their capital and ownership composition. Sets a maximum 49% foreign ownership cap for non-bank institutions acting as e-money issuers and requires the majority of the Board of Directors for each non-bank institution providing e-money to be domiciled in Indonesia.

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Healthcare (Medical Devices and Equipment)

Unit: USD millions

	2017	2018	2019	2020 (estimated)
Total Market Size	2,410	2,665	2,879	3,023
Total Local Production	1,598	1,757	1,933	2,030
Total Exports	581	590	604	634
Total Imports	1,394	1,488	1,550	1,672
Imports from the U.S.	132	135	169	178
Exchange Rate	13,548	14,481	13,901	N.A.

Total Market Size = (Total Local Production + Total Import) - (Total Exports)

Data Sources: Indonesian Medical Device Producers Association (ASPAKI), U.S. Department of Commerce TradeStats Express (TSE), and Global Trade Atlas (GTA) on Connect Trade Data. Average exchange rate of Indonesian Rupiahs to U.S. dollars from Statista.com.

Overview

As the fourth most populous country in the world, Indonesia's medical device and equipment sector presents excellent opportunities for U.S. manufacturers of innovative products. Although the government has implemented local content requirements and import tariffs, Indonesia continues to rely on imported innovative medical devices and equipment. Total imports of medical devices and equipment grew from $1,488 million in 2018 to $1,550 million in 2019 and are expected to reach $1,627 million in 2020. China was the leading supplier in 2019, with an import share of over 20 percent, Germany was the number two supplier, accounting 15 percent of total imports. And U.S. products accounted for approximately 11 percent of imports (Source: Indonesia Medical Devices Report Q3 2019, Fitch Solutions).

Healthcare is a priority in Indonesia's national agenda and the central and regional governments continue to build and upgrade healthcare facilities. Indonesia currently has over 2,877 hospitals, including 1,047 public and 1,830 private hospitals. In addition, there are 10,134 public Health Community Centers (Puskesmas), which provide comprehensive basic healthcare and vaccinations. There are 316,996 hospital beds, or 1.18 beds per one thousand people, but this number is rapidly increasing. In 2020, the Indonesian government began a process of promoting the consolidation of state-owned public hospitals in order to increase operational efficiency and quality of care through standardization. (Source: https://www.kemkes.go.id/resources/download/pusdatin/profil-kesehatan-indonesia/Data-dan-Informasi_Profil-Kesehatan-Indonesia-2019.pdf)

Despite ongoing improvements, the Indonesian healthcare system suffers from limited budgets, lagging numbers of primary care and specialist providers, and limited access in rural areas. Many Indonesians with private health insurance fly to Singapore and Thailand where the standard of care is often higher than in Indonesia.

Medical device registration and marketing authorization in Indonesia is under the supervision of the Ministry of Health. Foreign manufacturers are permitted to own up to 49% of any local importer-distributor with which they partner. The local partner or joint venture will be the legal owner of the marketing authorization and import permit and not the foreign manufacturer. These foreign equity caps make it difficult to switch distributors. Foreign companies that wish to own 100% of their local subsidiary in Indonesia have the option to manufacture in Indonesia and meet local content requirements.

Medical equipment is subject to 5% - 30% import tax, depending on the type, in addition to the standard 10% value added tax (Source: Indonesia's Minister of Finance Regulation No. 6/2017 on Stipulation of Goods Classification and Charge of Duty Tariff on Imported Goods). The Indonesian government prohibits the import of used or refurbished medical equipment. Indonesia’s Government Regulation No. 31/2019 will require many types of goods to be halal certified in the future and will require products that originated from haram (forbidden) material to be labelled accordingly. Voluntary halal certification is scheduled to begin in 2021 but certification will not be mandatory for medical devices until the following dates: Class A Medical Devices: 2026; Class B Medical Devices: 2029, Class C Medical Devices: 2034.

In 2014, the Government of Indonesia introduced a national health insurance system known as “BPJS-Kesehatan” (Jaminan Kesehatan Nasional, or JKN). The mandatory system has expanded rapidly and today covers 220 million enrollees who pay monthly insurance premiums. With over 80 percent of the country's 260 million population covered, Indonesia now has one of the largest public health insurance programs in the world. The national health insurance can be used at both public and private hospitals and has brought a stream of newly insured patients into hospitals and clinics. Medical devices and equipment for which there are multiple equivalent substitutes are generally purchased through large-scale public tenders.

The Indonesian government implemented an online procurement system (e-Katalog) in 2014 for medical products for which there are no equivalent substitutes. The Government Agency for Procurement of Goods (Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah "LKPP") manages the e-Katalog system, which aims to increase transparency and simplify transactions for products available for reimbursement under the national health insurance system. Thousands of medical devices are listed on the system, which allows hospitals and clinics to purchase medical equipment at a pre-negotiated price without a tender. The LKPP e-Katalog procurement system provides a searchable database of all listed medical devices and their current list prices on its public website.

For U.S. companies, the e-Katalog portal can be a rapid route to large sales volumes. However, to be listed in the e-catalogue, companies have to negotiate prices with the government and the price negotiation criteria are not fully transparent. The prices are often negotiated within a fixed range based on a multiple of the import transfer price. And the cost of providing important professional education and training to local healthcare providers is not taken into account in price negotiations. As a result, prices offered in the e-Katalog system are lower than prices in the private health insurance market. Hospitals can also conduct their own tenders for medical devices that are not available via public tender or the e-Katalog system. Private hospital tenders may result in higher prices for such medical devices.

There is no regular schedule for medical product e-Catalogue enrollment. The most recent e-Catalogue enrollment for medical products took place in early 2018. The new enrollment and re-enrollment for medical devices into the e-Catalogue system was previously scheduled to start in June 2020, but the process was placed on hold in March 2020. Since then, new product enrollment has been temporarily limited to emergency medical products. The timing for the next round of product enrollment and price negotiation has not been announced but companies should prepare required documentation now. Medical devices that were previously enrolled in 2018 will need to re-enroll in order to be listed again.

Leading Sub Sectors

The following sub sectors are among the leading U.S. exports in terms of export value:

1. HS 9018: Instruments and appliances used in medical, surgical, dental or veterinary sciences.
2. HS 3822: Diagnostic or laboratory reagents.
3. HS 841920: Medical, surgical or laboratory sterilizers.

Opportunities

Indonesia relies heavily on imported medical equipment and supplies to meet local demand. Most U.S. companies will find it most beneficial to choose a local distributor to assist with product registration, import permits and the logistics of importing and distributing their devices in the local market.

Hospital and medical trade shows are good places to search for potential local partners in Indonesia. The association of medical device importers, Gakeslab Indonesia, is also a valuable resource for firms looking for experienced local partners. In Indonesia, medical buyers prefer high-quality products but are also highly price sensitive.

To gain market share, U.S. companies need to compete on quality, safety, efficacy and after-sales service for more innovative products. In summary, by entering the Indonesian market, medical device and equipment manufacturers can tap into a large market while helping Indonesia to improve its quality of care.

Key private players in the healthcare industry include Siloam Hospitals (Siloam International Hospitals which is part of Lippo Group), Omni Group (PT Sarana Meditama Metropolitan), Mayapada Group (PT Sejahtera Anugrahjaya), Mitra Keluarga (PT Mitra Keluarga Karyasehat), Ciputra Hospital (Ciputra Development), and Eka Hospital (Sinar Mas Group).

Major private laboratory chains are also expanding their operations in terms of capacity and geographic presence. The six major players in the industry are Prodia, Kimia Farma, Pramita, Cito, BioMedika and Parahita. The largest private laboratory chain, Prodia, currently operates 288 outlets and 147 clinical laboratories.

Web Resources

- Indonesian Ministry of Health: https://www.kemkes.go.id/
- Directorate General of Pharmaceutical and Medical Devices, Indonesian Ministry of Health:
- https://farmalkes.kemkes.go.id/
- Indonesian Food and Drug Authority (Badan POM): https://www.pom.go.id/new/
- U.S. Department of Commerce TradeStats Express and Global Trade Atlas (GTA) on Connect: http://tse.export.gov/tse/tsehome.aspx; http://my.ihs.com/connect

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Agriculture

Overview

Indonesia agricultural imports reached over $19 billion in 2019, a six percent increase over the previous year. Wheat, soybeans, rice, beef, fresh fruits, dairy and various feed ingredients were leading import categories. The U.S., China, Thailand, Australia and Argentina are the top five suppliers of agricultural products to the market, representing 57 percent of the total imports by value.

Indonesia is the 10th largest export destination for U.S. agricultural products. In 2019, the United States was the largest agricultural exporter to Indonesia, accounting for $3.2 billion or 15 percent of the total value of imports. U.S. agricultural exports to Indonesia saw strong demand across bulk, intermediate and consumer-oriented goods. The top U.S. agricultural exports are soybeans, cotton, feeds and fodders, wheat, dairy, distillers' grains, prepared food, fresh fruit, beef and beef products.

According to Trade Data Monitor, in 2019, Indonesian imported nearly 2.7 million metric tons of soybeans. United States soybeans account for the vast majority of all soybeans consumed. Soybean consumption in Indonesia is predominantly for human food, with most imported soybeans going to tempeh and tofu production. Indonesia's livestock feed industry relies on imported soybean meal and corn. In 2019, Indonesia imported over 4.4 million metric tons of soybean meal. Argentina and Brazil were the primary suppliers.

As one of the world's largest cotton importers, Indonesia imported more than 242,403 tons of cotton from the United States in 2019. The United States and Brazil are the largest cotton suppliers to Indonesia. The United States exported over $3.4 billion of genetically engineered (GE) products to Indonesia in 2019, including Bt cotton, herbicide tolerant soybeans and meal, Bt corn, and a variety of food products derived from GE crops and processed with genetically modified microbes (GMM).

Leading Sub-Sectors

Beef & Dairy Products: In 2019, Indonesia imports of beef rose by 26 percent to 266,459 tons, valued at $851 million. Rising consumer demand and efforts from GOI to stabilize prices in the local market have created an opportunity for imports. U.S. beef exports, which reached over $85 million in 2019, serve both traditional dishes such as soto (meat soup in coconut milk), and bakso (meatball) as well as high-end hotel, restaurant & institution (HRI) and retail sales. Over the past five years demand for imported dairy products has increased by around 5 percent annually, triggered by low local milk production, healthy lifestyle trends, increasing income among middle class consumers and new product launches. In 2019, Indonesia imported 531,366 tons, worth US$1.3 billion with major categories including powdered milk, lactose, whey protein, butter and fresh cheese.

Fresh Fruits: Although Indonesia produces a diverse range of tropical fruits, demand for imported fresh fruits continues to increase. In 2019 Indonesia imported $1.3 billion of fresh fruits including pears, apples, grapes and oranges/ mandarins, which together accounted for 82 percent of total fresh fruit import volume. Other popular imported fruits include dates, raisins, blueberries and cherries.

Opportunities

Snack Foods: Modern retailers report strong demand for snack foods at locations across the country. Sales of imported packaged food products are mostly sold though supermarkets or hypermarkets. Although registration requirements for retail packaged products can be burdensome, exporters who find the right importing partner are often rewarded with limited competition from similar product categories.

Food Preparation, Processing and Foodservice Sectors: In 2019, imports of food preparation products such as baking inputs (corn starch, malt extract, baking powders, yeasts etc.), ingredients for beverage bases, thickener and protein concentrate increased 1.2 percent. In 2019, the retail sales value of packaged food came to a total of $31 billion. Indofood, Mayora Indah, Garuda Food Group, Wings Group are a few of the largest food processors in Indonesia, producing a variety of products such as snack foods, noodles, dairy, and beverages. Many food processors source their raw materials from overseas such as wheat, milk powder, chipping potatoes, onion/ garlic powder, cheese, raisins, and corn starch. International brands have expanded their stores steadily to meet demand from an increasing middle class, young and urban consumers, and shifting consumption trends toward a healthy on- the-go lifestyle. Many now incorporate higher-quality imported ingredients.

Resources

- U.S.D.A. Foreign Agricultural Service Exporter Guide for Indonesia
- U.S.D.A. Foreign Agricultural Service Agricultural Biotechnology Annual

Customs, Regulations and Standards

Trade Barriers

Agriculture Trade Barriers

Tariffs

Indonesia's average Most Favored Nation (MFN) applied tariff rate was 8.1 percent in 2018 (latest data available). Indonesia's average MFN applied tariff rate was 8.6 percent for agricultural products and 8.0 percent for non-agricultural products in 2018 (latest data available). In the agricultural sector, tariffs on more than 1,300 products have bindings at or above 35.5 percent.

Import Licensing for Agricultural Products: Since at least 2012, Indonesia has maintained unjustified and trade-restrictive licensing regimes for the importation of horticultural products, animals, and animal products. Indonesia has amended its import licensing regimes several times, adding additional trade-restrictive requirements. Indonesia has continued to fail to bring its measures into compliance with WTO rules. Resolution of licensing issues remains a high priority for horticultural exporters, and both parties remain engaged in dialogue to resolve these issues.

Import Bans and Restrictions: Indonesia imposes restrictions on feed corn imports, limiting the right to import to the state-owned procurement body, the Bureau of Logistics (BULOG). However, some corn imports intended for starch manufacturing are allowed. As Indonesia's sole importer of feed corn, BULOG prioritizes corn distribution to small-holder poultry farmers. The import volume is set based on the level of domestic feed production. Other feed millers are obligated to use locally produced feed corn but have expressed concern that they are unable to obtain feed corn in quantities sufficient to maintain the poultry industry's growth.

Indonesia bans salt imports during the domestic agricultural harvest season. It requires salt importers to be registered and to purchase domestic supplies as well as imports. Indonesia also maintains a seasonal ban on imports of sugar, in addition to limiting the annual quantity of sugar imports based on domestic production and consumption forecasts.

Indonesia applies quantitative limits on the importation of wines and distilled spirits. Companies must apply to be designated as registered importers authorized to import alcoholic beverages, with an annual company-specific quota set by Ministry of Trade.

Sanitary and Phytosanitary Barriers

Beef and Pork: Indonesia requires each U.S. meat establishment seeking to export to Indonesia to complete an extensive questionnaire that includes proprietary information, and to be inspected by Indonesian inspectors, before it can ship meat to Indonesia.

Animal-Derived Products: Indonesia's animal health and husbandry law (Law 18/2009, as amended by Law 41/2014) requires companies that export animal-derived products, such as dairy and eggs, to Indonesia to complete a pre- registration process with MOA. The law allows imports of these products only from facilities that Indonesian authorities have individually approved.

Inspection Fees

In 2017, MOA began applying inspection fees on all animal product establishments seeking to export to Indonesia under Government Regulation 35/2016. These inspections are mandatory to obtain export eligibility certificates and consist of a "desk audit" of application materials ($1,200), an on-site facility inspection ($925 per auditor, per day), and a post-audit desk review ($1,200). U.S. exporters must also pay for MOA officials' transport and lodging costs while conducting inspections in the United States. In total, companies seeking to export to Indonesia could pay up to $10,000 for an inspection.

Halal Certification

Halal certification will be mandatory for some types of processed foods and beverages starting in October 2024.

For a full review of Indonesia's trade barriers, please see the Indonesia section of the United States Trade Representative's [National Trade Estimate on Foreign Trade Barriers]

Import Tariffs

Indonesia's average Most Favored Nation (MFN) applied tariff rate was 8.1 percent in 2018 (latest data available). Indonesia's average MFN applied tariff rate was 8.6 percent for agricultural products and 8.0 percent for non-agricultural products in 2018 (latest data available). Indonesia has bound 96.3 percent of its tariff lines in the World Trade Organization (WTO), with a simple average WTO bound tariff rate of 37.1 percent.

Indonesia periodically changes its applied rates and over the last ten years has increased its applied tariff rates for a range of goods that compete with locally manufactured products, including electronic products, milling machines, chemicals, cosmetics, medicines, wine and spirits, iron wire and wire nails, and a range of agricultural products. Indonesia's simple average WTO bound tariff rate is much higher than its average applied tariff. Most Indonesian tariffs on non-agricultural goods are bound at 35.5 percent, although tariff rates exceed 35.5 percent or remain unbound on automobiles, iron, steel, and some chemical products. In the agricultural sector, tariffs on more than 1,300 products have bindings at or above 35.5 percent. Under Minister of Finance (MOF) Regulation 112/2018, Indonesia levies an import duty of 7.5 percent on certain goods (known as "consignment goods") imported by businesses regardless of the tariff rate in Indonesia's WTO and FTA schedules, if the Free On Board (FOB) customs value of the good is more than $75 but less than $1,500.

Indonesia is a party to the region-wide Association of Southeast Asian Nations (ASEAN) Free Trade Area. ASEAN, and by extension Indonesia, also has preferential trade agreements with Australia, China, Hong Kong India, Japan, Korea, and New Zealand and concluded text-based negotiations of the Regional Comprehensive Economic Partnership in November 2019. Indonesia has signed bilateral free trade agreements (FTAs) with Australia, Chile, Mozambique, as well as with Iceland, Liechtenstein, Norway, and Switzerland under the European Free Trade Association, but as of the end of 2019, none of these FTAs are yet in force except with Australia and Chile. The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) entered into force on July 5, 2020. Indonesia recently concluded negotiations with Korea on a Comprehensive Economic Partnership Agreement. Indonesia is negotiating other FTAs with the European Union (EU), India, Tunisia, and Turkey as well as reviewing its trade agreements with Japan and Pakistan.

For a full review of Indonesia's import tariffs, please see the Indonesia section of the United States Trade Representative's [National Trade Estimate on Foreign Trade Barriers]

Import Requirements and Documentation

The GOI requires extensive documentation prior to allowing the importation of goods. Local customs brokers are acquainted with the procedures and required format of the documentation. At a minimum, the U.S. exporter or his agent must provide a pro-forma invoice, commercial invoice, certificate of origin, bill of lading, packing list, and insurance certificate. Importers need to have an import license and importer identification number. If the importer intends to import without an import license, then they would need to apply for a special permit for importing without API to Indonesia Ministry of Trade. In addition to those documents additional certificates are often required by technical agencies with an interest in the content and conformance of the imported product such as food, pharmaceutical, seeds, or chemicals.

The process of providing the documentation includes a requirement that the importer notifies the customs office prior to the arrival of goods and submits import documents electronically through the electronic data interchange (EDI) in a standardized format placed on flash drives. In addition to providing the import documentation, the Custom Office will conduct physical inspection of imported goods. There is an import fee applicable for incoming goods which is based on the goods classification from Indonesian Customs Tariff Book or Harmonized System Code. Since 2013, food products are required to have Indonesian language labeling.

Labeling and Marking Requirements

All imported consumer goods must identify the importing agents. Previously the GOI requires that information on product labels be distinctly and clearly written or printed or shown so that it can be seen easily and understood. On September 2015, the Indonesian Ministry of Trade issued new regulation (Ministry of Trade Regulation No. 73/M-DAG/PER/9/2015) revoking previous labelling regulation and introducing less strict labelling requirements for certain imported goods. The label in Bahasa Indonesia is now can be stamped on the product or inserted in package.

On October 2019, the Indonesian Ministry of Trade issued regulation 79/2019 which amended regulation No. 73/2015 by including a list of goods and the required labelling, including for electronics, building materials, automotive spare parts, textiles and textile products.

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counselling exporters, and drafting and publishing changes to the Export Administration Regulations; and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end use and end user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "red flags", or warning signs, , and compiled "Know Your Customer" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry specific topics. Interested parties can check a list of upcoming seminars and webinars or reference BIS provided online training.

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the BIS website or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the BIS website and on the e-CFR (Electronic Code of Federal Regulations) and is updated as needed.

The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

Temporary Entry

The Government of Indonesia encourages foreign investors who export to locate their operations in bonded or export processing zones (EPZ). There are several bonded zones or export processing zones near Jakarta such as Tanjung Priok, Cakung and Marunda, which are very close to international ports and international harbors. Products can be imported into a bonded zone and re-exported without paying tariffs, unless the products are sent into Indonesian customs area.

Foreign and domestic investors wishing to establish projects in a bonded area near Jakarta can contact PT Kawasan Berikat Nusantara (Persero), which is a state-owned company, detailed information is available at www.kbn.co.id. Kawasan Berikat (Bonded Zone) is an area with certain boundaries in Indonesia where special provisions for the customs apply to goods imported from outside the custom area or from other customs areas in Indonesia without first being subject to customs levies and/or state levies until the goods are issued for the purpose of import, export, re-export.

Favorable regulations for Special Economic Zones (SEZ) or (Kawasan Ekonomi Khusus, or KEK, in Indonesian) were introduced in 2009. The basic concept of Indonesian SEZ is the preparation of infrastructure and resources in areas which have accessibility to the global market (access to seaports and/or airports). Indonesian SEZ may meet the criteria for one or more of the following zone types: Export, Logistics, Technology Development, Industry, Tourism, Energy and Other Economy.

There are a number of SEZ in Indonesia:

1. Sei Mangkei SEZ in North Sumatra
2. Tanjung Lesung SEZ in Banten
3. Palu SEZ in Central Sulawesi
4. Bitung SEZ in North Sulawesi
5. Tanjung Api-Api SEZ in South Sumatera
6. Morotai SEZ in North Maluku

7. Maloy Batuta Trans Kalimantan SEZ in East Kalimantan
8. Tanjung Kelayang SEZ in Bangka Belitung
9. Sorong SEZ in West Papua
10. Hang Nadim and Nongsa SEZ in Batam (expected in late 2020)

To learn more about Special Economic Zones, please visit www.kek.go.id

Prohibited and Restricted Imports

Importers are required to register with Indonesia's Ministry of Trade and obtain a customs identification number (Nomor Identitas Kepabeanan, or NIK) issued by the Directorate General of Customs and Excise. In addition, importers need to obtain an Importer Identification Number (API/Angka Pengenal Import) which serves as a record in the database of importers and their import activities. An import license holder must declare all goods imported into Indonesia to the Indonesian Directorate General of Customs and Excise.

Based on MOT Regulation 70/2015, all importers must obtain an import license. There are four types of import licenses available in Indonesia:

- API-U (General Import License) for importers of goods for further distribution
- API-P (Producer Import License) for importers of goods for their own manufacturing
- API-T (Limited Import License) for importers of goods limited to a particular industry
- API-K (Limited Import License for Contractors) for contractors to import goods that may require additional licenses from particular ministries.

The import of some products is regulated based on the Restricted and Banned Goods List, also known as the "LARTAS list." Several ministries related to products regulated under the LARTAS list, including the Ministry of Industry, Ministry of Trade, National Agency of Food and Drug Control (BPOM), and Ministry of Communication and Informatics.

In May 2018, the Indonesia National Single Window (INSW) system was enhanced to integrate all customs documents, quarantine documents, licensing documents, port/airport documents, and other related documents related to exports and imports so that they can be electronically submitted to the relevant ministries and institutions. In order to check on specific import restrictions, importers can check using INSW's portal at www.insw.go.id.

In December 2015, the MOT issued Regulation 118/2015 on complementary goods, which allows companies that operate under an API-P import license to import finished products for complementary goods, market testing, or for after sales service purposes, as long as the goods are new, consistent with the company's business license and meet import requirements. In October 2015, MOT issued Regulation 87/2015 on the Import of Certain Products. Regulation 87/2015 requires pre-shipment verification by designated companies (known in Indonesia as "surveyors") at the importer's expense and limits the entry of imports to designated ports and airports. In addition, Regulation 87/2015 maintains non-automatic import licensing requirements on a broad range of products, including electronics, household appliances, textiles and footwear, toys, food and beverage products, and cosmetics.

MOT Regulation 82/2012, as amended by Regulations 38/2013, 68/2015, 41/2016, and Ministry of Industry (MOI) Regulation 108/2012, in effect since January 2013, imposes burdensome import licensing requirements for cell phones, handheld computers, and tablets. Under Regulation 82/2012, importers of cell phones, handheld computers, and tablets are not permitted to sell directly to retailers or consumers, and they must use at least three distributors in order to qualify for a MOT importer license. MOT Regulation 41/2016 requires 4G device importers to provide evidence of contributions to the development of the domestic device industry or cooperation with domestic manufacturing, design, or research firms to fulfill local content requirements.

Customs Regulations

U.S. firms continue to report that Indonesian customs relies on a schedule of reference prices to assess duties on some imports rather than using transaction values as required by the WTO Customs Valuation Agreement. Indonesia's Director General of Customs and Excise reportedly makes a valuation assessment based on the perceived risk status of the importer and the average price of a same or similar product imported during the previous 90 days.

Indonesia's Ministry of Trade Regulation 87/2015 requires pre-shipment verification on a broad range of products (including electronics, textiles and footwear, toys, food and beverage products, and cosmetics) by designated companies (known in Indonesia as "surveyors"). The verifications come at the importer's expense and impede the entry of imports to designated ports and airports.

In 2019, Indonesia adopted new pre-shipment inspection requirements for scrap paper, scrap plastic and scrap metal to ensure that it is "homogenous and clean" and does not contain hazardous waste. In 2020, Indonesia also began requiring scrap exporters to register with the nearest Indonesian Embassy or consulate.

Ministry of Finance
Directorate General for Customs and Duties
Jalan Jenderal A. Yani (By Pass)
Jakarta Timur 13230
Tel: (62-21) 489-0308, 483-2520, 150-0225 (CALL CENTER)
Fax: (62-21) 489-7512
Website: www.beacukai.go.id

Standards for Trade

Overview

Rapid growth of international trade has resulted in the development of product and service standardization in all industrial sectors in Indonesia. Some safety, quality and performance standards are voluntary but serve as valuable product differentiators while other standards are cited in technical regulations as mandatory minimum requirements for market access.

Standards

The Indonesian government and related industrial players have been active in formulating standards for products and services. The National Standardization Agency of Indonesia (Badan Standarisasi Nasional "BSN"), is an Indonesian government agency responsible for standardization, conformity assessment, and metrology activities in Indonesia. BSN was established in 1997 under Presidential Decree 13/1997 and enhanced by Presidential Decree No 166/2000.

According to government regulation, the only national standards permitted are Indonesian National Standards (SNIs) and BSN is responsible for their formulation. SNIs are formulated in accordance with the nationally agreed mechanism of standard formulation and aligned with similar regional or international standards whenever possible. Various Indonesian government ministries cite these standards in their technical regulations.

Testing, Inspection and Certification

A wide variety of product types are subject to mandatory SNI testing and certification. The generally required documents for requesting SNI approval are 1) Local Business Representative / Importer in Indonesia; 2) Trademark Certificate issued by Indonesian Authority or a proof of Trademark Registration; 3) Product Catalogue or Brochure; 4) Technical Specifications; 5) Production and Quality Assurance/Quality Control flowchart process; 6) Quality Manual and/or equivalent procedures (Indonesian translation); 7) Valid ISO 9001 certificate or equivalent; 8) Company legal notary act & business license (Indonesian translation). Following a review of a company's application, a laboratory test will be conducted based on products randomly sampled from the factory and/or from the market.

There are a number of different testing schemes used in Indonesia. For example, under scheme type 1b testing must be done by a laboratory designated by the Minister of Industry, random product sampling must be done at the manufacturer's premises in the country of origin, and testing must be done for each shipment. For scheme type 5, there is an additional requirement for a factory audit or inspection to ensure compliance of the production process, facility and quality management system. If issues are found during a factory audit, manufacturers have an opportunity to take corrective actions. Once those corrective actions have been verified, the certification process will be able to move forward.

Indonesia allows for product testing at a laboratory in the U.S. if the following criteria are all met: 1) the testing laboratory in the U.S. is accredited by an accreditation body in the U.S. that has signed a multilateral recognition agreement to which Indonesia's national accreditation body, KAN, is also a signatory, 2) the U.S. has a bilateral or multilateral agreement with the government of Indonesia in the relevant area of technical regulation, and 3) the U.S. testing laboratory is designated by the Minister of Industry of the Republic of Indonesia.

There are instances when Indonesia does not recognize results from testing laboratories based in the U.S. In these cases, some companies feel that Indonesia's mandatory testing and SNI certification is burdensome and too costly to be practical.

Once the mandatory SNI testing and, if required, facility audit is complete, then BSN will make a final decision regarding whether to issue the certificate. The certificate enables the company to include the SNI certification logo on their retail product packaging. The length of certification validity varies depending on the certification type.

Under National Telecommunication Act No. 36 year 1999, a certificate of approval is required for ITE and Telecommunication equipment to be sold or imported into Indonesian market. The certificate of approval is issued by Directorate General of Resources and Equipment for Post and Information Technology (SDPPI). In-country testing at an SDPPI laboratory of two randomly selected equipment samples is required for radio frequency and telecommunications equipment prior to certificate issuance by SDPPI. SDPPI Decision No. 36 issued on January 22, 2020 includes a list of the 150 international test labs that it recognizes.

The National Accreditation Committee (KAN) is the national accreditation body. The main function of KAN is to establish a system for granting accreditation in certain fields including testing and calibration laboratories, certification bodies and inspection bodies. Currently, KAN operates an accreditation system for testing and calibration laboratories, ISO 9000 quality system certification bodies, ISO 14000 series environmental quality system certification bodies, personnel certification bodies, product certification bodies, HACCP certification bodies, and inspection bodies.

KAN is a signatory of the multilateral recognition agreements of the International Laboratory Accreditation Cooperation (ILAC) organization, the Asia Pacific Laboratory Accreditation Cooperation (APLAC) organization, and the International Accreditation Forum. Once an accreditation body is a signatory of these MLAs, it is normally required to recognize the certificates issued by conformity assessment bodies accredited by all other signatories of the same MLA with the appropriate scope. However, some countries impose additional requirements.

Publication of Technical Regulations

Indonesia's National Standardization Agency (BSN) publishes technical regulations in the SNI Technical Regulations section of the BSN Library: https://www.bsn.go.id/main/sni/isi_sni/20113/regulasi-teknis

Contact Information
The National Standardization Agency (Badan Standardisasi Nasional, or "BSN")
Gedung I BPPT
Jl. MH Thamrin No. 8
Jakarta 10340
Tel: (62-21) 392-7422; (62-21) 392-7528
Website: www.bsn.go.id
Email: bsn@bsn.go.id
Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country or countries and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Web Resources

- Directorate General of Custom and Excise: http://www.beacukai.go.id
- The Indonesian Standardization Agency (BSN): http://www.bsn.go.id
- The National Accreditation Committee (KAN): http://www.kan.or.id/
- United States Trade Representative: https://ustr.gov/

Trade Agreements

Indonesia is a party to the region-wide Association of Southeast Asian Nations (ASEAN) Free Trade Area. ASEAN, and by extension Indonesia, also has preferential trade agreements with Australia, China, Hong Kong India, Japan, Korea, and New Zealand and concluded text-based negotiations of the Regional Comprehensive Economic Partnership in November 2019. Indonesia has signed bilateral free trade agreements (FTAs) with Australia, Chile, Mozambique, as well as with Iceland, Liechtenstein, Norway, and Switzerland under the European Free Trade Association, but as of the end of 2019, none of these FTAs are yet in force except with Chile. Indonesia recently concluded negotiations with Korea on a Comprehensive Economic Partnership Agreement. Indonesia is negotiating other FTAs with the European Union (EU), India, Tunisia, and Turkey as well as reviewing its trade agreements with Japan and Pakistan.

For more on Indonesia's trade agreements, please see the Indonesia section of the United States Trade Representative's National Trade Estimate on Foreign Trade Barriers 2020.

Licensing Requirements for Professional Services

The definition of a foreign-owned company (PT PMA) is a business run or invested in by foreign investors, foreign companies, or foreign governments in Indonesia. The foreign company can be either 100% foreign-owned or partially foreign-owned. There are three minimum requirements that apply to foreign-owned companies in Indonesia, including professional providers of legal, accountancy, and consulting services.

1. Submit an investment plan of at least 10 billion Rupiah (approximately U.S. $700,000), including both fixed and working capital.
2. Invest an initial minimum of 2.5 billion Rupiah (approximately U.S. $170,000) as paid in capital from shareholders. In some industry sectors, such as financial services, logistics, freight forwarding, and 100% foreign-owned e-commerce companies, foreign investors are required by law to invest a higher minimum amount.
3. Have at least two shareholders, which can be companies and/or individuals.

All foreign-owned companies that wish to operate in Indonesia are required to submit an Investment Plan and obtain approval from the Investment Coordinating Board (BKPM). Indonesia's Negative Investment List (DNI) is based on President Regulation Np. 39/2014. The Negative Investment List outlines three major categories: Business Fields Open to Foreign Investment, Business Fields Closed to Foreign Investment, and Business Fields that are Open to Foreign Investment subject to certain conditions.

To make investment in Indonesia more attractive to foreign investors Indonesia is moving from a Negative Investment List to a Positive Investment List. Indonesia will continue to close some sectors off entirely from foreign investment and to keep others open subject to conditions. Unless otherwise stipulated under the Positive Investment List or other regulations, 100 percent foreign ownership is allowed.

The investing entities must also request approval of the proposed company name from the Ministry of Law and Human Rights as there is possibility that the same name has already been taken or that it is improper in Indonesia.

Selling U.S. Products and Services

Distribution & Sales Channels

Indonesia's businesses are organized along classic lines, with the full spectrum of agents, distributors and other intermediaries represented in the economy. Finding a stocking distributor can be a challenge due to a general unwillingness to assume the carrying charges involved with warehousing. In addition, corruption makes the use of offshore warehouses, especially in Singapore, attractive. Traffic congestion and weak infrastructure often make it very expensive to ship product long distances within Indonesia from a central warehouse.

Using an Agent or Distributor

Foreign companies who wish to sell their products in the Indonesian market are required to appoint a local agent or distributor pursuant to Ministry of Trade (MOT) Regulation No. 36/1977 on Termination of Foreign Business Activities in the Trade Sector as amended and by Government Regulation No. 15/1998. Registration of an Indonesian agent or distributor with the Directorate of Business Development and Company Registration at the MOT is mandatory under Regulation of the MOT No. 11/M-DAG/PER/3/2006.

An agent is a national trading company acting as mediator to act for and on behalf of the principal on the basis of agreeing to undertake marketing without transferring rights to physical goods and/or services owned/controlled by the appointing principal. The principal may be a manufacturer or supplier and may be located offshore or onshore. The agent never acquires any rights to the goods and services. A distributor is a national trading company acting for and on behalf of the company on the basis of an agreement to purchase, store, sell as well as market goods and/or services owned or controlled.

Any business operating as an agent or distributor must register with the MOT and obtain Registration Identity, hereinafter called STP (Surat Tanda Pendaftaran). STP is evidence that a company has been registered as an agent and/or distributor issued by the Director of Business Development and Corporate Registration, Ministry of Trade. If the principal is offshore, the agreement must be notarized and certified by an Indonesian trade attaché at an Indonesian Embassy or Consulate and submitted to the Ministry of Trade. These agreements may adopt the law of any country, but if they are written in a language other than Indonesian, they must be translated by a sworn translator. Depending on the type of goods being imported, certain other memberships, recommendations and/or licenses must be obtained and produced.

The appointment of an agent or distributor can be realized by a producer principal, a supplier principal on the basis of approval from producer principal, foreign investment companies operating in the trading field as distributors or wholesalers, or representative offices of foreign trade companies. Many Indonesian importers represent multiple foreign manufacturers and product lines. Large conglomerates often establish discrete company units to specialize around a product category. Medium and smaller importers tend to specialize in a narrower range of goods but are open to adding an unrelated product line if it appears to be profitable.

In many cases, foreign companies have established close connections with Indonesian importers, allowing the two companies to function as one. The Indonesian company acts as the importer and distributor, and the foreign company promotes its products, sometimes seconding expatriate staff to its Indonesian distributor/partner. A more active role for the foreign firm can be arranged through a management contract, which can take many forms, such as technical assistance agreements; management agreements; or combined management/financial agreements.

Establishing an Office

There are two main legal entity types available to foreign investors looking to establish an office Indonesia, representative office and a Limited Liability Company, known as "Perseroan Terbatas" and abbreviated as "PT."

Three of the most common types of representative offices in Indonesia are: (1) Foreign Representative Office (Kantor Perwakilan Perusahaan Asing); (2) Foreign Trade Representative Office (Perwakilan Perusahaan Perdagangan Asing); and (3) Foreign Construction Services Representative Office.

A PT (Perseroan Terbatas) company is a limited liability company established according to the laws of Indonesia for which liability is limited to amount of shareholder capital. There are two types of PT companies, a Local Company (PT PDMN, or Penanaman Modal Dalam Negeri) and Foreign Investment Company (PT PMA, or Penanaman Modal Asing). In a local PT, only Indonesian citizens and Indonesian legal entities are allowed to hold shares as registered shareholders.

A foreign company may establish itself as a foreign investment company but will be limited to sectors that are open to foreign ownership and not blocked by Indonesia's negative investment list. To make investment in Indonesia more attractive to foreign investors Indonesia is moving from a Negative Investment List to a Positive Investment List. Indonesia will continue to close some sectors off entirely from foreign investment and to keep others open subject to conditions. Unless otherwise stipulated under the Positive Investment List or other regulations, 100 percent foreign ownership is allowed.

Foreign investment companies are eligible to receive various financial and non-financial incentives, particularly for those engaging in strategies industries.

The Indonesian Investment Coordinating Board (BKPM), which is a Non-Ministerial Government Agency, is in charge of implementing policy and service coordination for both domestic and foreign investment in Indonesia. BKPM has an integrated one-stop service center (Pelayanan Terpadu Satu Pintu), which aims to simplify and streamline licensing procedures for investment projects by eliminating the need to visit various government agencies to obtain the necessary permits.

According to BKPM Regulation No. 5 Year 2013, investor looking to incorporate a PT PMA needs to comply following conditions:

- A total investment plan of a minimum of IDR 10 billion (excluding land and properties);
- A minimum paid up capital of IDR 2.5 billion (or equivalent to 25% of the total investment);
- Appointment of two shareholders (there can be foreign individuals or corporations);
- There must be minimum equity of IDR 10 million per share;
- The appointment of at least one commissioner and a director (these can be held by foreign individuals);
- The director will be responsible for running the day to day activities of the company.

Indonesia has an Indonesia Investment Promotion Center (IIPC) located in New York City, New York. Any U.S. company that is located in the U.S. and would like to know more about investment requirement in Indonesia can contact IIPC's office in NYC or BKPM's HQ in Jakarta, Indonesia:

Indonesia Investment Promotion Center - New York
Address: 370 Lexington Ave. Suite 1903, New York, NY 10017, U.S.A
Tel: +1-646-885-6600
Fax: +1-646-885-6601
Email: iipc.newyork@bkpm.go.id
Website: www2.bkpm.go.id/iipc

Indonesia Investment Coordinating Board
Address: Jl. Jend. Gatot Subroto No. 44, Jakarta 12190, Indonesia
Telephone: +62-21-525-2008
Fax: +62-21-520-2050
Email: info@bkpm.go.id / satgasnasional@bkpm.go.id

Website: www.bkpm.go.id

Franchising

Indonesia has strong long-term potential for franchise businesses. The franchise industry began to enjoy widespread popularity in the early 1990s when many well-known U.S. franchises arrived in Indonesia. The Indonesian restaurant and food franchise sectors have consistently shown growth over the past decade due to increasing disposable income levels and greater interest in socializing beyond traditional family and workplaces. Some Indonesians visit restaurants while they wait for Indonesia's late afternoon and evening traffic jams to dissipate. Presently, there are more than 1,000 legal franchises in Indonesia, including 460 foreign and 430 local franchises. Of those, approximately 150 franchisers are from the U.S.

Most Indonesian franchise seekers are interested in well-established and innovative food and beverage business concepts such as fine-dining restaurants, Quick Service Restaurants, pizza chains, hamburger chains, coffee shop chains, and ice cream shops. Most famous U.S. F&B brands are here in Indonesia such as Kentucky Fried Chicken, Domino Pizza, Pizza Hut, McDonalds, Burger King, Carl's Jr. Starbucks, Dunkin Donuts, and Baskin Robbins. Other best prospects include health and fitness centers, education, and retail or special convenience stores.

Rising disposable incomes and large young population make Indonesia an attractive market opportunity. Demand for cafes, restaurants, and bars continue to increase in the major Indonesian cities. Indonesia's growing middle-class communities are seeking international cuisine, convenience and after-hours venues for socializing.

Local investors are receptive to well-known, established U.S. franchises. Quality, brand recognition, and innovation all play a big part in the success of U.S. franchises with Indonesian investors. In addition to product pricing, U.S. franchisors must consider adapting to local tastes to guarantee success in the Indonesian market.

Recent discussions with Indonesian investor groups have indicated increased reticence toward partnering with new foreign brands and a preference for strengthening their existing brands. One factor contributing is the depreciation of the rupiah relative to the US dollar. However, new investor groups are starting to show interest starting their first franchising chains. Despite the relative lack of experience of these groups, they may be suitable option to for U.S. franchises hoping to enter the Indonesian market.

Franchises facilitate the transfer of know-how and managerial expertise to the franchisee companies while simultaneously allowing the franchiser to quickly establish a presence in the country. Under a typical franchising agreement, the franchiser receives royalties and fees as stipulated in the contract. In exchange, the franchisee has the right to use and manufacture copyrighted, patented or service-marked materials identifying the enterprise. The franchiser typically provides training and organizational guidance in return for a guarantee that the franchisee will follow these operational directions.

The Ministry of Trade of the Republic of Indonesia (MOT) issued a new regulation on franchise in early September 2019. This Minister of Trade Regulation No. 72 of 2019 on Franchise replaces several franchise related regulations that previously listed as the main regulations that are of interest to U.S. franchisors.

A Franchise Registration Certificate (Surat Tanda Pendaftaran Waralaba, or STPW) must be obtained through the Online Single Submission (OSS). This OSS system synchronizes the licensing systems within all relevant ministries. MOT is one of the ministries that has synchronized its licensing system with the OSS system. Any amendment of the old STPW must also be done through the OSS system.

The new regulation is no longer set a limitation on the validity period of an STPW. It will remain valid indefinitely, unless the validity period of the underlying franchise agreement has expired, both parties cease to carry out the business activities, and/or Intellectual Property Rights (IPR) registration by the franchisor is not approved by the Directorate General of IPR, or the IPR under the franchise has expired.

Regulations in force until September 2019 prohibited franchisors from appointing as franchisees those with whom they already have a relationship, either directly or indirectly, required franchisors to provide a clean break letter for unilateral termination, set a cap of 250 on the number restaurant and café outlets allowed under a master franchise agreement. This prohibition, requirement and cap no longer apply under regulations adopted in September 2019. In addition, a previous requirement that all franchise arrangements fulfill an 80% local content requirement has been abolished and instead the franchisee and franchisor are encouraged to prioritize the use of local goods/services as long as it meets the quality standard required by the franchisor.

For more information on franchising regulations in Indonesia, please contact:
Directorate of Trade Development
Directorate General for Domestic Trade
Ministry of Industry and Trade
Jl. M.I. Ridwan Rais No. 5
Jakarta 10110
Tel: (62-21) 3858171 Ext. 1137
Fax: (62-21) 23528531

Direct Marketing

Traditionally, direct marketing in the form of printed advertisements distributed directly from the seller to potential customers, has been used in Indonesia to sell many kinds of products, from insurance to sewing machines. Other methods like catalog marketing, telemarketing, online marketing, kiosk marketing and direct mail marketing are also commonly used in Indonesia. Several U.S. companies have built up large businesses in Indonesia by conducting direct selling, also referred to as multi-level or network marketing, through networks of local distributors. In recent years, direct marketing is increasingly conducted using social media advertisements online and push notifications in mobile phone applications.

Joint Ventures/Licensing

To make investment in Indonesia more attractive to foreign investors Indonesia is moving from a Negative Investment List to a Positive Investment List. Indonesia will continue to close some sectors off entirely from foreign investment and to keep others open subject to conditions. Unless otherwise stipulated under the Positive Investment List or other regulations, 100 percent foreign ownership is allowed.

As a practical matter, a local joint venture partner is often essential for success in this market for the same reason that an active Indonesian agent or distributor often has advantages over a foreign trade representative office. The choice of an Indonesian joint venture partner is critical for many reasons, especially for knowledge of the local environment and contacts. A few firms provide background and credit-type reports on Indonesian entrepreneurs and firms.

A partnership in Indonesia is difficult to dissolve. Consequently, the first choice has to be the right choice. Business sense is as crucial to any commercial endeavor in Indonesia as it is anywhere else. Contacts alone, while important, cannot substitute for business skills in an Indonesian partner.

Because Indonesians place great importance on personal relationships and mutual understanding, partnerships tend to be based primarily on mutual trust with the written contract playing a less significant role. It is therefore important that any agreement be well understood by both sides. A contract over which there are conflicting interpretations is certain to cause future problems.

In any case, a soundly written legal agreement is strongly encouraged, despite the weakness of the Indonesian legal system for enforcing contracts.

In some cases, licensing arrangements for products and services are more cost-effective options for U.S. companies doing business in Indonesia, but firms should apply the same cautions recommended for joint venture partners. For more information please visit: www.bkpm.go.id

Express Delivery

All of the major express delivery services in the United States, including Fed Ex, UPS and DHL, are also available in Indonesia's major cities. In addition, within Indonesia, there is local market leader PT. Tiki Jalur Nugraha (TIKI JNE), the Indonesian Post Office, PT. FedEx's local partner Republic Express (RPX), Pandu Logistic, Wahana Logistic, First Logistic, and several other logistics companies. A recent market entrant is GO-Send, a service of the trendy e-commerce site, Gojek, Indonesia's first hyperlocal transport, logistics and payment startup. Gojek's biggest rival, GRAB, has also launched delivery services for e-commerce transactions.

Effective January 30, 2020 onwards, Indonesia implemented a new regulation reducing the threshold exemption (de minimis) to import duties from US $75 to US $3.00 per shipment for all imported goods shipped on a B2C basis. The threshold exemption was reduced to protect local small and medium businesses from competition from personally imported products that were exempt from import taxes. Now, foreign-produced textiles, clothes, bags, and shoes that cost a minimum of $3 will be subject to a range of taxes with a total rate of 32.5% to 50% of their value. For other types of imported goods worth between $3 and $75, import taxes will be lowered from 27.5%-37.5% of their value to a flat rate of 17.5%. Imported Goods worth less than $3 will still be subject to value-added tax.

Due Diligence

In general, the business sector in Indonesia still operates in a somewhat opaque environment. For this reason, it is very difficult to get accurate financial and business reputation information about prospective customers or partners. Therefore, foreign companies intending to do business with potential local partner companies or agents are recommended to perform appropriate due diligence on their potential partners prior to established the partnership in Indonesia. U.S. Commercial Service in Jakarta offers the International Company Profile (ICP) service to assist U.S. companies with vetting potential business associates. Note that ICP's can only be done on companies and not on individuals. Contact the U.S. Commercial Service office in Jakarta for details on price and availability, or visit our website at www.export.gov/indonesia.

eCommerce

Indonesia has one of the highest rates of e-commerce adoption in the world in 2019. As many as 90 percent of internet users aged 16 to 64 years in the country have purchased products and services online. Indonesia's eCommerce market was US$ 21.0 billion in gross market value (GMV) in 2019, fueled by changing behavior among tech-savvy customers who are willing to spend more for convenience. Despite increasing competition, much of the potential in Indonesia's e-commerce industry has not been achieved, especially in cities outside of Java.

Assessment of Current Buyer Behavior in Market

In a country of 266 million inhabitants with over 143.26 million internet users in 2017, mobile devices are the main means with which Indonesians carry out e-commerce. Some online shopping platforms report that about 70% of the online shoppers shopped on their mobile devices rather than desktop computers. Air travel is increasingly being arranged through websites such as Tiket.com and Traveloka while accommodations are arranged through booking.com and even Airbnb. The Indonesian Statistics Agency (BPS) recorded a total of

16.1 million foreign tourist visitors to Indonesia during 2019, falling short of the government's target of attracting 20 million tourists. Another trend is for inhabitants in major cities to use applications such as Go-Jek to arrange for food delivery, cleaning services, massage, buying movie tickets, as well as its original purpose of ordering a motorbike or taxi for transportation.

Indonesia online retailing is dominated by a number of local wholesalers selling products. Tokopedia.com, Bukalapak.com, Lazada.com, and Blibli.com are some of the leading online marketplaces in the country. However, some international merchants, such as Alibaba Group Holdings and the Trancent Group, have also entered the market. Local sites Tiket.com and Traveloka.com are major travel platforms. The rapid growth in the online marketplace has also contributed to the development of B2B eCommerce startup companies such as ralali.com and Bizzy.com.

Local eCommerce Sales Rules & Regulations

E-commerce remains governed by a complex set of laws and regulations. Some laws and regulations that apply to the e-commerce sector include:

- Law No. 11/2008 on electronic information and transactions (ITE Law). This law, which was intended to promote open and fair electronic commerce, has been criticized as creating investor uncertainty by failing to define key terms.
- Law No. 7 /2014 on trade.
- Bank Indonesia Regulation No. 20/6/PBI/2018 regarding E-money.
- Minister of Communications and Information Technology Circular Letter No. 5 of 2016 on the Limitations and Responsibilities of Platform Providers and Merchants in E-Commerce Using User-Generated Content Platforms. This circular letter established safe harbor protections for, and obligations of, e-commerce platforms for user-generated content and product offerings.
- Minister of Communications and Information Regulation No. 23 of 2013 regarding Domain Name Management.
- Government Regulation No. 80/2019 on e-commerce and online trade.
- Minister of Trade Regulation No. 50/2020 on Provisions of Business License, Advertisement, Development, and Supervision of Business Actors in Trading through Electronic System

Local eCommerce Business Service Provider Ecosystem

Although the Indonesian e-commerce industry is thriving, there is room for further growth. E-commerce sales are expected to reach 4.4% of total Indonesian retail sales by 2019. To build on this growth, issues with inadequate infrastructure, payment systems, and logistics should be addressed. In 2019, the most popular method for e-commerce payments in Indonesia was bank transfer, accounting for almost 30 percent of all e-commerce payments. The value of e-commerce payments in Indonesia is expected to reach over 400 trillion rupiah by 2023. The second most popular e-commerce payment system is the preloading of cash value onto an e-payment application to pay for online purchases, recorded at 25 percent. OVO ranked first among the most used digital payment platform in Indonesia, followed by GoPay and Dana. Credit card payment ranked third and accounted for 20 percent of the total. The Indonesian Credit Card Association reports that the number of credit cards in circulation as of September 2019 was 17.3 million, an increase of 1.3 percent from the previous year's 17.2 million.

In keeping with this need, Bank Indonesia has begun implementation of its National Payments Gateway (NPG). Under this scheme, the Bank limits the participation of switchers to four domestic firms, though foreign companies may participate as minority shareholders. More importantly for e-commerce, the central bank hopes that NPG implementation will increase financial inclusion and promote greater use of electronic payments for in-person and online transactions. Cross border transactions are currently still conducted through conventional banks or credit cards.

Domestic transaction switchers, eager to expand their capacity to meet the fast-growing demand, are increasingly looking to tech startups to help close the technology gap in payment systems and e-wallets, hoping to steer consumers ever more in the direction of cashless transactions.

Selling Factors & Techniques

Overview:

American products are perceived by Indonesians as expensive but durable with limited after sales service and support. Therefore, in addition to product pricing, U.S. companies should compete on after sales service, which includes providing access to customer service and spare parts.

Trade Promotion and Advertising

There are dozens of industry-specific trade shows held in Indonesia throughout the year. Many are held at either the Jakarta International Expo or at the Jakarta Convention Center.

- Balai Sidang Jakarta Convention Center: http://www.jcc.co.id
- Jakarta International Expo: https://www.jiexpo.com

Traditional advertising on billboards, buses and taxis is common in Indonesia for companies hoping to catch the eye of customers stuck in traffic jams. Targeted advertising online via social media, text messages and mobile applications is increasing common. According to statista.com, total advertising market value in Indonesia was estimated to be U.S. $2.57 billion in 2018 and projected to increase to U.S. $5.3 billion by 2024. Television advertising made up the largest share of the Indonesian advertising market, followed by internet & digital advertising. Advertising spending in the Digital Advertising market is projected to reach US $1,482 million in 2020, with the largest segment being Search Advertising with a projected market volume of US $560 million.

Pricing

Most Indonesian customers are price sensitive and are looking for good value for their money. Most customers check prices on the internet before making purchases at retail outlets.

A value-added tax on the sale price, service fee or import value is applicable on deliveries (sales) of goods and services within Indonesia at a rate of 10%. Certain goods are not subject to the VAT but other types of tax may apply instead. VAT free goods include goods that are taken directly from their source (oil, gas & coal), financial services, hotels, restaurants and entertainment. A Luxury Tax of between 10% and 125% is applied to certain goods, including high-value real estate, high-value automobiles, and alcohol.

A VAT rebate for luxury goods bought in Indonesia is available for tourists at international airports on the day of departure. Eligibility is restricted to tourists who have stayed in Indonesia for no longer than two months.

Sales Service/Customer Support

Major companies in Indonesia increasingly use customer relationship management tools to provide automated, consistent and customized customer experiences. Customers of luxury goods still expect personal interaction but digital chat tools are increasingly common for customer support. Due to the widespread use of mobile phones, customers expect to be contacted via text or in mobile apps. Customer service can sometimes be outsourced as long as proper training and quality control measures are in place.

Local Professional Services

A directory of professional services companies in Indonesia can be found on the AmCham Indonesia website: https://www.amcham.or.id/en/directorys

Principal Business Associations

Indonesian Chamber of Commerce & Industry (KADIN): www.kadin-indonesia.or.id

American Chamber of Commerce in Indonesia: www.amcham.or.id

Limitations on Selling U.S. Products and Services

All foreign-owned companies that wish to operate in Indonesia are required to submit an Investment Plan and obtain approval from the Investment Coordinating Board (BKPM. Indonesia's Negative Investment List (DNI) is based on President Regulation Np. 39/2014. The Negative Investment List outlines three major categories: Business Fields Open to Foreign Investment, Business Fields Closed to Foreign Investment, and Business Fields that are Open to Foreign Investment subject to certain conditions.

To make investment in Indonesia more attractive to foreign investors Indonesia is moving from a Negative Investment List to a Positive Investment List. Indonesia will continue to close some sectors off entirely from foreign investment and to keep others open subject to conditions. Unless otherwise stipulated under the Positive Investment List or other regulations, 100 percent foreign ownership is allowed.

Trade Financing

Methods of Payment:

U.S. firms exporting to Indonesia use a variety of payment methods depending on their relationship with the purchaser. Payment options for export transactions include letters of credit (L/C), cash in advance, wire transfer, cash on delivery, and open account.

Confirmed, irrevocable letters of credit, while imposing additional costs, minimize risks faced by the exporter. On July 21, 2017, the Government of Indonesia released Government Regulation No. 29/2017 on Methods of Payment and Delivery of Goods in Export and Import Activities. The scope of this Government Regulation covers the manner of payment of goods, the manner of delivery of goods, and supervision. In terms of payment methods, exporters may pay with cash, a Letter of Credit (L/C), or other means of payment for goods. Letters of Credit are one of the most widely used methods of payments in Indonesia because of the added security for both the importer and exporter.

For a foreign company to open a bank account, they will need to present certain documents to the bank, including investment data from the Indonesia Coordinating Investment Board (BKPM), domicile certificate, tax identification number, shareholder passports, business license and company deed of establishment.

Both global and local credit rating agencies operate in Indonesia. Global credit rating companies in country include A.M. Best (U.S.), Baycorp Advantage (Australia), Dominion Bond Rating Service (Canada), Dun & Bradstreet (U.S.), Fitch Ratings (U.S.), and Standard & Poor's (U.S.). A local credit rating agency is PT Pemeringkat Efek Indonesia (Pefindo). Banks use third-party collection agencies to recover outstanding debts. However, there have been incidents in the past where collection agencies were accused of using harsh threats or violence to some debtors. Credit cards are one of most widely used methods of payment in Indonesia. There are approximately 20 credit card issuing banks in Indonesia, including Citibank, HSBC, BCA, Bank Mandiri, Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), CIMB Niaga, and PermataBank. Charge cards are not as common in Indonesia, though there are a few banks issuing charge cards, including Bank Danamon, BNI Sharia Banking and CIMB Niaga Sharia Banking.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at https://www.trade.gov/trade-finance-guide-quick-reference-us-exporters.

Banking System

As of May 2020, Indonesia had 110 commercial banks and approximately 1,533 rural banks, according to Indonesia's Financial Services Authority ("Otoritas Jasa Keuangan" or OJK). There are four banks owned by the central government and 25 owned by regional governments. The OJK regulates key aspects of the banking and financial system, including bank regulation and supervision, whereas the Bank of Indonesia, the central bank, regulates payment systems and conducts foreign exchange supervision.

Indonesia is encouraging the development of Islamic banking and seeks to increase its share of total banking assets to more than five percent. Islamic banks prohibit the collection and payment of interest by lenders and investors. Indonesia's Deposit Insurance Corp. (LPS) guarantees bank deposits up to 2 billion Rupiah per depositor per bank (about U.S. $140,000). Only those accounts carrying interest rates equal to or below LPS maximum guaranteed reference rates are deemed eligible for LPS deposit guarantees.

The Indonesian export financing agency (PT. Lembaga Pembiayaan Ekspor Indonesia, LPEI), which operates under the English name of Indonesian Eximbank, provides competitive export financing and advisory and other exported related services. The export credit agency's goal is to help promote access to worldwide markets for Indonesia's export-related commodities, support Indonesia's international trade, and improve Indonesian exporters' competitiveness in global markets.

Commercial Banks are divided into four groups of business activities, referred to as BUKU categories 1, 2, 3 and 4, depending on their amount of core capital. Banks in BUKU category 1 are limited to general banking activities in Rupiah and acting as money changers. Banks in BUKU categories 2, 3, and 4 are authorized to engage in Rupiah and foreign currency banking activities with a broader scope, including payment systems and electronic banking, capital participation in non-financial institutions for credit rescue, and capital participation in other financial institutions. Commercial Banks are prohibited from the insurance business.

Indonesia Eximbank (PT. Lembaga Pembiayaan Ekspor Indonesia/LPEI) was established in 2009 and acts as a financial institution under the Government of the Republic of Indonesia. Its main objective is to boost national export growth and to assist exporters in expanding their business capacity. Indonesia Eximbank also conducts training and offers consultation services to banks, financial institutions, exporters and producers of export goods, especially for SME, medium-scale enterprises, as well as consumers' cooperatives.

For data on banking in Indonesia, refer to the OJK website:

https://www.ojk.go.id/en/kanal/perbankan/data-dan-statistik/statistik-perbankan-indonesia/Pages/Indonesia-Banking-Statistic---May-2020.aspx

Foreign Exchange Controls

Only authorized banks may carry out foreign trade-related exchange operations. The Bank of Indonesia (BI) requires the submission of evidence of underlying transactions to support the purchase of a foreign currency against the Rupiah through banks exceeding $25,000 per month (regulation 17/49/DPM). BI regulation No. 7/14/PBI/2005 describes prohibitions and restrictions in conducting foreign exchange transactions with foreign counterparts.

As part of a series of measures designed to strengthen the Indonesian rupiah and help reduce the current account deficit, Bank Indonesia issued a regulation in 2015 (17/3/PBI/2015), mandating that all domestic financial transactions must be conducted in Rupiah. While this was predicted to have a serious impact on some

U.S. businesses operating in Indonesia, the regulation's exemptions have helped to moderate the extent to which foreign firms are affected. This rule stipulated that the mandatory use of Rupiah for "all transactions in Indonesia that are for the purpose of payment, all transactions in Indonesia that are for the settlement of other obligations that must be fulfilled with money, and all other financial transactions in Indonesia."

However, regulation 17/3/PBI/2015 also contained many exemptions, including:

- Certain transactions related to state budget revenue and expenditure, such as receipts from oil and gas royalties
- Acceptance or provision of grants from or to overseas entities
- Transactions for the purpose of international trade
- Bank deposits in foreign currencies
- International financial transactions where either the provider or the receiver of the financing is domiciled overseas
- Business activities in foreign exchange conducted by banks pursuant to the law that regulates banking and sharia banking
- Foreign exchange transactions involving commercial paper issued by the Government in primary markets or secondary markets pursuant to the law regulating state debentures and state sharia commercial paper
- Other foreign exchange transactions that are conducted in accordance to previous laws regarding financial sector regulation such as the Bank Indonesia Law, the Capital Investment Law and the Indonesian Export Financing Institutions Law.

Regulation 17/3/PBI/2015 also provides that if businesses have trouble implementing the mandatory use of Rupiah for non-cash transactions, Bank Indonesia may issue them exemptions. In issuing these exemptions, BI will consider the readiness of the business actor, the continuity of the business activity, as well as investment activity and the interests of national economic development.

The limit on transaction amounts for commercial banks engaging in derivative transactions with foreign counterparts is $1 million. This limit covers all types of transactions involving foreign exchange selling and purchasing against the Rupiah; such transactions were previously unrestricted. However, the restrictions will not apply if the derivative transactions are conducted for hedging purposes within the framework of an investment in Indonesia that will last for at least three months. The regulation also requires foreign or domestic currency lending to foreign counterparts to be conducted in the form of a syndicated loan that engages a prime bank (that is, commercial banks with a certain investment rating from a well know rating agency) as lead bank for the purpose of project financing in the real estate sector in Indonesia. For violations, the regulation levies a fine of 10 percent of the transaction's value.

In line with anti-money laundering laws, Bank of Indonesia Regulation No. 18/19/PBI/2016 tightened restrictions on the amount of cash that may be carried across its borders. Physically carrying more than 100 million Rupiah (approx. U.S. $8,000) out of Indonesia at any one time requires prior approval from BI and must be reported to the Director General of Customs and Excise (DGCE). A 10% fine up to 300 million Rupiah may be applied for failure to report. Persons bringing in more than 100 million Rupiah must declare the amount. Under a new BI regulation dated May 5, 2017 and effective from March 5, 2018, no one except banks and licensed money changers will be allowed to bring in banknotes equivalent to Rp 1 billion ($75,000).

Under Regulation No. 18/10/PBI/2016, the transfer of foreign currencies from Indonesia in the amount of more than IDR 10 billion or its equivalent requires the sender to provide supporting documents regarding the identity of both the sender and the recipient as well as the purpose of such transfer and provide supporting documents for the basis of the transfer to the bank.

Exporters in Indonesia must repatriate their export earnings from offshore banks to domestic banks within 90 days from the date of the export declaration form. Once repatriated to Indonesia, there are no restrictions on exporters from re-transferring their export earnings back to an offshore bank.

BI also requires borrowers to conduct their foreign currency borrowing through domestic banks registered with BI. The regulations apply to borrowing in cash, non-revolving loan agreements, and debt securities.

BI Regulation No. 18/18/PBI/2016 regarding Foreign Currency Transactions against rupiah between banks and domestic parties provides that Indonesian citizens, legal entities and residents that purchase foreign currency in excess of U.S. $25,000 or its equivalent per month must provide information on the underlying transaction demonstrating that it relates to one or more of the following activities: 1) domestic and overseas trading of goods and services; 2) investment in the form of direct investment, portfolio investment, loan, capital and other investment, domestic and overseas; and 3) extension of credit or financing by a bank in foreign currency or in rupiah for trading and investment activities, or both.

U.S. Banks and Local Correspondent Banks

There are several U.S. commercial banks operating in Indonesia.
Bank of America Merrill Lynch
Address: Jakarta Stock Exchange Building, Tower II, 23rd Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
Tel: +62-21-2955-3723

b. JP. Morgan Chase Bank
Address: The Energy Building, Fifth and Sixth Floors SCBD Lot 11A
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Tel: +62-21-5291-8181

c. Citibank N.A. (Citibank Indonesia)
Address: Citibank Tower 9th Floor- Pacific Century SCBD Lot 10
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia
Tel: +62-21-5290-8301

Protecting Intellectual Property

Indonesia remained on the Priority Watch List in the 2020 Special 301 Report. U.S. right holders continue to face challenges in Indonesia with respect to adequate and effective intellectual property (IP) protection and enforcement, as well as fair and equitable market access. Concerns include widespread piracy and counterfeiting and, in particular, the lack of enforcement against dangerous counterfeit products. To address these issues, Indonesia would need to develop and fully fund a robust and coordinated IP enforcement effort that includes deterrent-level penalties for IP infringement in physical markets and online. Indonesia's 2016 Patent Law continues to raise concerns, including with respect to the patentability criteria for incremental innovations, the grounds and procedures for issuing compulsory licenses, and the disclosure requirements for inventions related to traditional knowledge and genetic resources.

Indonesia's law concerning geographical indications (GIs) raises questions about the effect of new GI registrations on pre-existing trademark rights and the ability to use common food names. Indonesia also lacks an effective system for protecting against the unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical and agricultural chemical products. Online piracy is a concern, particularly through piracy devices and applications, and illegal video recordings and unlicensed use of software remain problematic. In addition, the United States remains concerned about a range of market access barriers in Indonesia, including certain measures related to motion pictures and requirements for domestic manufacturing and technology transfer for pharmaceuticals and other sectors.

Indonesia has made progress in addressing some of these concerns but has faltered or taken steps backward in other areas. In December 2019, the Ministry of Law and Human Rights (MLHR) issued Regulation 30/2019, which establishes procedures for compulsory licenses and addresses a number of concerns included in the previous compulsory licensing regulation, Regulation 39/2018. U.S. stakeholders have also noted positive developments related to Indonesia's efforts to address online piracy, such as increased enforcement efforts by the Ministry of Communications and Information Technology and its support of industry-led efforts to develop an Infringing Website List to help advertising brokers and networks avoid placing advertisements on listed websites.

In recent years, the Ministry of Finance has issued regulations clarifying its ex officio authority for border enforcement against pirated and counterfeit goods and instituted a recordation system; however, concerns remain regarding the ability of foreign right holders to benefit from the system. Although Indonesia took steps in 2016 to allow 100% foreign direct investment in the production of films and sound recordings, as well as in film distribution and exhibition, Indonesia has issued implementing regulations to the 2009 Film Law that, if enforced, would further restrict foreign participation in this sector. Specifically, Ministry of Education and Culture Regulation 34/2019 includes screen quotas and a dubbing ban for foreign films.

Overall, IP enforcement has been insufficient, and the United States continues to urge Indonesia to improve enforcement cooperation among relevant agencies, including the Coordinating Ministry for Politics, Law, and Security, Directorate General for Intellectual Property (DGIP), Attorney General's Office, Ministry of Tourism and Creative Economy, and National Agency for Drug and Food Control. In particular, the United States is concerned that the National Inter- Ministerial IPR Task Force appears to be inactive. The United States also encourages Indonesia to develop a specialized IP unit under the Indonesia National Police to focus on investigating the Indonesian criminal syndicates behind counterfeiting and piracy and to initiate larger and more significant cases.

The United States welcomes Indonesia's efforts to eliminate the 2016 Patent Law's local working requirement, including by introducing an amendment to the law through the Job Creation omnibus bill. The United States urges the passage of this amendment and continues to urge Indonesia to undertake a more comprehensive amendment to the 2016 Patent Law to address remaining concerns. As Indonesia amends the Patent Law and develops implementing regulations, the United States urges Indonesia to provide affected stakeholders with meaningful opportunities for input. Indonesia also has imposed excessive and inappropriate penalties upon patent holders as an incentive to collect patent maintenance fees. Although DGIP has extended its deadline to collect the fees, the United States continues to monitor the issue. The United States also continues to urge Indonesia to fully implement the bilateral Intellectual Property Rights Work Plan and plans continued, intensified engagement with Indonesia under the U.S.-Indonesia Trade and Investment Framework Agreement to address these important issues.

Kitisri Sukhapinda is the IP Attaché for Southeast Asia, including Indonesia. kitisri.sukhapinda@trade.gov https://www.uspto.gov/ip-policy/ip-attache-program/regions/thailand

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For background, link to our article on Protecting Intellectual Property and Stopfakes.gov or contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at Stevan.Mitchell@trade.gov.

Source: National Trade Estimate Report on Foreign Trade Barriers 2020

Selling to the Public Sector

Selling to the government of Indonesia generally requires the use of a local agent or representative. Even where not officially required, a qualified local company can provide important insights and maintain the relationships necessary to succeed as well as to minimize cultural trade barriers.

Procurement by the government in Indonesia is regulated and facilitated by the Procurement Agency, LKPP (Lembaga Kebijakan dan Pengadaan Barang/Jasa Pemerintah). LKPP runs an online e-catalog website and a site for government tender information. Companies seeking to sell to the government should consider getting listed in the e-catalog which must be done via a locally registered Indonesian company. Currently the e-catalog includes mostly heavy equipment, medicine and medical equipment, motorized vehicles, and technology (hardware and software). In principle, medicines and medical equipment must have marketing authorization from local regulatory authorities in order to be considered for government procurement. This system is primarily for central government and the parliament, local and provincial governments are gradually expected to start using it.

The five public procurement methods are:

1. e-purchasing
2. direct purchase
3. direct vendor appointment
4. limited tender
5. open tender

Each procedure is specifically regulated, regarding value, availability of local products/services, (international) patent on products/services, ability of a local company to do the job, or other criteria like goods/services for defense or intelligence. In general, exemptions to the procedures are allowed when certain cases before or during procurement activity are met.

Indonesia is not a Party to the WTO Agreement on Government Procurement but has been an observer to the WTO Committee on Government Procurement since October 2012.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project Financing" Section in "Trade and Project Financing" for more information.

"U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult Advocacy for Foreign Government Contracts for additional information."

Project Financing

Indonesia has prioritized infrastructure development in its medium-term development plan, or Rencana Pembangunan Jangka Menengah 2020-2024 (RPJM). The Government's estimate for infrastructure development during this period is U.S. $437 billion, of which 41.25% is expected to come from national and regional government budgets, 22.23% is expected to come from state-owned enterprises, and 36.52% is expected to come from private entities. For more information, visit the website of the Ministry of National Development Planning at www.bappenas.go.id.

U.S. firms should familiarize themselves with opportunities available through the Asian Development Bank and with World Bank-funded projects. The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Asian Development Bank (http://www.export.gov/adb/) and the World Bank (http://export.gov/worldbank).

Financing Web Resources

- Export-Import Bank of the United States: http://www.exim.gov
- Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
- U.S. Development Finance Corporation (OPIC): http://dfc.gov
- Trade and Development Agency: http://www.tda.gov/
- Small Business Administration Office of International Trade: http://www.sba.gov/oit/
- U.S. Department of Agriculture Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
- U.S. Agency for International Development: http://www.usaid.gov

Business Travel

Business Customs

The best time for an initial business trip is September through June, as school holidays and vacation time in the summer months can impact the availability of many business people. Visitors should check the local holiday schedule before traveling to Indonesia. Business appointments are often difficult to schedule during the Muslim fasting month of Ramadan and as well as during the two-week period after Ramadan when Indonesians typically travel to their home towns to celebrate Idul Fitri with their extended families. The most common business attire is batik shirt, with short-sleeve considered informal and long-sleeve considered to be formal. A business suit or dress (formal) or a white shirt/blouse and slacks/skirt (informal) are also common attire.

Indonesia is a very diverse country, with more than 300 different ethnic groups. While some Indonesians are traditional, others may be considerably "Westernized." Still, many Indonesians do not conduct business transactions or make decisions in the same direct, legalistic fashion that many Americans do. U.S. businesspeople should be prepared to spend a good deal of time with clients to build mutual understanding and trust before getting down to the business transaction.

Traditional Javanese culture emphasizes harmony and the word "no" is rarely used. This can make it difficult for a Westerner to ascertain exactly how a business proposal is being received. Because Indonesians often prefer to do business with people who they know well and trust, developing rapport is crucial. While quality and price are important, they are often secondary to the personal interaction of the business partners.

During business meetings, sweet tea or coffee is almost always served and should be accepted. It should not be consumed until the host invites you to do so, which may not occur until the end of the meeting. Generally speaking, it is best to use the right hand in receiving or eating. Although hand shaking is a common practice, avoid hearty handshakes and other physical contact. Do not show the soles of your shoes when seated.

Business travelers to Indonesia seeking appointments with U.S. Embassy Jakarta officials should contact the U.S. Commercial Service in advance. The U.S. Commercial Service can be reached by telephone at (62-21) 5083-1000 or by e-mail: office.jakarta@trade.gov.

Travel Advisory

Travelers visiting Indonesia may wish to review the State Department Country Specific Information for Indonesia at:

https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Indonesia.html

Visa Requirements

U.S. citizens traveling to Indonesia for business purposes are required to have a valid visa. All travelers to Indonesia must have a passport valid for at least six months beyond the date of arrival in Indonesia, at least two blank visa pages, as well as an onward/return airline ticket. Indonesian authorities regularly deny entry to Americans who arrive with less than six months validity on their passports.

Visas can be obtained by applying at the Indonesian Embassy in Washington or at their Consulates in New York, Los Angeles, Houston, and Chicago. U.S. citizens travelling for tourism may qualify for free, 30-day non-extendable Free Visit Entry Stamp. For tourists planning to stay longer than 30 days and up to 60 days, a Tourist Visa should be obtained in advance.

Some types of business visas must be obtained before arrival, including a Limited Stay Visa and a Business Visa. 30-day Visas on Arrival are available for most U.S. travelers upon arrival at the international airports in Jakarta, Surabaya, Medan, Denpasar and several other large cities for a fee of $35. Visas on Arriva can usually be extended by 30 days without leaving Indonesia. Visas on Arrival do not permit work or installation of equipment in Indonesia. U.S. citizens have been detained by immigration authorities for conducting business that is out of the scope of their visa type.

If you overstay your visa, you will be subject to a fine of 1 million Indonesian rupiah per day (about $70 USD at current exchange rates; fees may change at any time) and may be detained and deported. Arrival and departure dates are counted in the 30-day calculation. U.S. citizens have been jailed for visa overstays. Some prescription medications common in the U.S. are considered to be illegal narcotics in Indonesia. If you plan to bring sleeping pills or prescription medication for things like ADHD or pain, check with the Indonesian embassy before departure to make sure your medicines are not considered illegal in Indonesia.

Travelers are strongly encouraged to check with the Indonesian Embassy or the Directorate General of Immigration, as visa requirements can change on short notice:

https://www.embassyofindonesia.org

https://www.imigrasi.go.id/foreign_passport

U.S. Companies that require travel of foreign businesspersons to the United States are advised that security evaluations are handled via an interagency process. Visa applicants should go to the following link(s): State Department Visa Website

Currency

The local currency is the Rupiah (IDR). Credit cards are accepted nationwide and U.S. ATM networks are available in the major cities. Travelers checks accepted at major banks.

Telecommunications/Electronics

Many homes and offices in urban areas have landline telephone services installed. Public pay phones are no longer available. Landline telephone numbers have between five and eight digits. Seven-digit numbers are the most common, while newer numbers have eight digits. Smaller towns outside Jakarta use five- or six-digit numbers for local calls. International direct dial lines are served by two operators PT Indosat (001) and PT Telkom (007). To make an international direct call from landline numbers, dial operator's prefix number either 001 or 008, follow by country code + area code + phone number.

With 320 million subscribers, Indonesians primarily use cell phones, commonly referred to as "hand phones." If you have an unlocked smartphone, passport holders can purchase and register SIM cards at many stores and kiosks. There are many GSM and 4G LTE-based cell phone operators in Indonesia, including Telkomsel, XL Axiata, Indosat, Axis, Hutchison 3, and Smartfren.

Voice Over Internet Protocol (VOIP) service offers a low-cost option for international calls compared to placing calls from landline numbers. All of the operators offer pre-paid service options with voice and data packages. Wi-Fi access is widely available in airports, hotels, restaurants and cafes in the major metropolitan and tourist areas of Indonesia. Most urban areas are served by cable and optic fiber broadband internet connectivity.

Transportation

Airlines that provide international flight service to Indonesia include Garuda, Singapore Airlines, Cathay Pacific, KLM, Asiana, All Nippon Airways. Many of these airlines offer code share flights with U.S. airline carriers. There are currently no direct flights from the U.S. to Indonesia but connecting flights can be found in places including Singapore, Japan or Hong Kong. Connections to domestic flights to other cities in Indonesia are readily available. There is a low-cost rail network connecting major cities. Heavy traffic frequently causes significantly delays when travelling by car. Taxis are plentiful but it is advisable to use taxi services available at major hotels, such as Silver Bird and Blue Bird taxis. Grab and Gojek mobile applications can also be used to reserve taxis. Golden Bird cars and drivers can be hired by the day and cost around $120 - 140 per day.

Language

The national language spoken throughout Indonesia is Bahasa Indonesia, although there are also many local languages. English is widely spoken and understood by most business people in major cities. Most hotels have English-speaking staff, as do the shopping centers that cater to expatriates and tourists. International telephone operators also speak English. The level of English can vary widely in all situations. Indonesian firms hoping to conduct business with foreigners generally try to employ some English speakers, but it is not expected within every company.

Health

Short-term visitors to Indonesia are advised to be up to date on their Hepatitis A, Hepatitis B, and Typhoid vaccinations, in addition to all routine childhood immunizations. The hepatitis vaccination series takes six months to complete. Those considering travel outside the major cities (Jakarta, Surabaya, Medan, southern Bali, etc.) should consider anti-malaria medication, with the highest risk of East Nusa Tenggara, West Papua, and Papua Provinces. Rabies is common in some places outside of Java. Physicians in the United States should be able to answer questions pertaining to immunizations and other health concerns.

Air pollution in the larger cities can be an issue for both short-term visitors and long-term residents. Air quality in Jakarta is reported by two monitors maintained by the U.S. Embassy, and measurements can be consulted at:

https://www.airnow.gov/international/us-embassies-and-consulates/#Indonesia$Jakarta_Central

Dehydration as a result of intestinal illnesses can be a serious, even life-threatening, condition if not treated. Persons suffering from severe diarrhea may obtain an oral re-hydration solution from a local pharmacy. If vomiting makes it impossible to adequately re-hydrate, visit a clinic immediately.

Dengue Fever – According to Indonesia's Ministry of Health, 137,761 people were diagnosed with dengue fever in 2019, double the number reported in 2018. Dengue fever is a mosquito borne disease prominent in much of the tropical world. The mosquito bites during the daytime thus risks can be rediced by wearing long-sleeves and long pants, and using repellent.

Avian Influenza – Indonesia has experienced several outbreaks of Avian Influenza (AI). Economic hardship and ignorance of modern disease control methods have combined to make Indonesia's AI control efforts somewhat ineffective. Of the 196 cases confirmed from 2003 to date in Indonesia, 164 have been fatal. Americans who travel to Indonesia should obtain up to date health information before departing the U.S.

Zika - Zika virus is a risk in Indonesia. Because Zika infection in a pregnant woman can cause serious birth defects, women who are pregnant should not travel to Indonesia. Zika is transmitted by the same day-biting mosquitoes that transmit dengue. All travelers should strictly follow steps to prevent mosquito bites and sexual exposure to Zika virus during and after the trip.

The websites of the U.S. Centers for Disease Control and the World Health Organization have up to date information on outbreaks of contagious and tropical diseases.

https://wwwnc.cdc.gov/travel/destinations/traveler/none/indonesia

https://www.who.int/countries/idn/en/

There are some modern, well-equipped clinics and hospitals in Jakarta that are considered adequate for minor illnesses, but expatriates generally prefer to fly to Singapore or their home countries for treatment of serious illnesses and/or operations. An adequate pre-hospital emergency system, similar to the "911" system in the U.S., does not exist in any Indonesian cities. Many local hospitals operate their own ambulances, with no common standards. Response time can be prolonged.

In the event of illness or emergency, the following clinics and hospitals are among those frequented by expatriates in Jakarta:

SOS Medika Klinik - Cipete
Jl. Puri Sakti No. 10, Cipete
Jakarta 12410
Admin and Office Telephone: (62-21) 750-5973
Fax: (62-21) 750-6002
Clinic Appointment: (62-21) 750-5980
24 Hour Emergencies: (62-21) 750-6001
Email: cipete.info@sosmedika.id
Website: https://www.internationalsos.co.id/

SOS Medika Klinik - Kuningan
Menara Prima, 2nd Floor
Jl. DR. Ide Anak Agung Gde Agung Blok 6.2
Kawasan Mega Kuningan
Jakarta 12950
Telephone: (62-21) 5794-8600
Fax: (62-21) 5794-8686
Email: kuningan.info@sosmedika.id

Global Doctor Indonesia
Jl. Kayu Manis 21 A, Condet
Jakarta 13530
Tel: (62-21) 800-4307
After Hours Call: (62-21) 719-4565, 718-2029, 7198-0183
https://id.globaldoctor.co.id/about-us

Food:

It is important to practice proper food handling and personal hygiene in Indonesia. Tap water should not be used for drinking or cooking. Bottled water is widely available. When at a restaurant, order food to be served hot. Avoid raw vegetables, salad fruits that you cannot peel, and buffets that keep the food only warm without protective coverings. Meat should be cooked until well done. Major hotels are generally reliable, but caution is advised.

Exercise reasonable care in food preparation at home and menu selection while eating out because of questionable sanitation practices. Imported meats, vegetables, and packaged foods are readily available from most grocery stores including Carrefour, HyperMart, LotteMart, the Hero grocery store chain, Sogo department stores, Kem Chicks, and Ranch Market grocery stores.

Local Time, Business Hours, and Holidays

Indonesia has three time zones:

1. Eastern Indonesian time is 14 hours ahead of Eastern Standard Time (13 hours ahead of Eastern Daylight Time).
2. Central Indonesia time is 13 hours ahead of Eastern Standard Time (12 hours ahead of Eastern Daylight Time).

3. Western Indonesian time (including Jakarta) is 12 hours ahead of Eastern Standard Time (11 hours ahead of Eastern Daylight Time).

Business hours are generally:

- Commerce 0900 -1700 Monday - Friday (note: Friday prayers are at 1200-1300)
- Government 0730 – 1600 Monday – Friday
- Banks 0900 – 1500 Monday – Friday
- Shops 1000 – 2200 Monday – Sunday

A list of Indonesian Public Holidays can be found via these links:

- https://publicholidays.co.id
- https://en.wikipedia.org/wiki/Public_holidays_in_Indonesia

Temporary Entry of Materials and Personal Belongings

The Government of Indonesia encourages foreign investors who export to locate their operations in bonded or export processing zones (EPZ). There are several bonded zones or export processing zones near Jakarta such as Tanjung Priok, Cakung and Marunda, which are very close to international ports and international harbors. Products can be imported into a bonded zone and re-exported without paying tariffs, unless the products are sent into Indonesian customs area.

Foreign and domestic investors wishing to establish projects in a bonded area near Jakarta can contact PT Kawasan Berikat Nusantara (Persero), which is a state-owned company, detailed information is available at www.kbn.co.id. Kawasan Berikat (Bonded Zone) is an area with certain boundaries in Indonesia where special provisions for the customs apply to goods imported from outside the custom area or from other customs areas in Indonesia without first being subject to customs levies and/or state levies until the goods are issued for the purpose of import, export, re-export.

Favorable regulations for Special Economic Zones (SEZ) or (Kawasan Ekonomi Khusus, or KEK, in Indonesian) were introduced in 2009. The basic concept of Indonesian SEZ is the preparation of infrastructure and resources in areas which have accessibility to the global market (access to seaports and/or airports). Indonesian SEZ may meet the criteria for one or more of the following zone types: Export, Logistics, Technology Development, Industry, Tourism, Energy and Other Economy.

There are a number of SEZ in Indonesia:

1. Sei Mangkei SEZ in North Sumatra
2. Tanjung Lesung SEZ in Banten
3. Palu SEZ in Central Sulawesi
4. Bitung SEZ in North Sulawesi
5. Tanjung Api-Api SEZ in South Sumatera
6. Morotai SEZ in North Maluku
7. Maloy Batuta Trans Kalimantan SEZ in East Kalimantan
8. Tanjung Kelayang SEZ in Bangka Belitung
9. Sorong SEZ in West Papua
10. Hang Nadim and Nongsa SEZ in Batam (expected in late 2020)

To learn more about Special Economic Zones, please visit www.kek.go.id

Investment Climate Statement (ICS)

The U.S. Department of State's Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of Department of State's Investment Climate Statement website.

Political Environment

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State Countries & Areas website.